

**NEW ISSUE**  
**Book-Entry-Only**

# PRELIMINARY OFFICIAL STATEMENT

**\$8,700,000\***

## **CHESTER COUNTY, TENNESSEE** **General Obligation Refunding Bonds, Series 2016**

OFFERED FOR SALE NOT SOONER THAN

Monday, April 18, 2016 at 11:15 a.m., E.D.T.  
Through the Facilities of *PARITY*<sup>®</sup>

at the  
**OFFICES OF**  
**Cumberland Securities Company, Inc.**  
**Knoxville, Tennessee**

**Cumberland Securities Company, Inc.**  
Financial Advisor

April 8, 2016

\* Preliminary, subject to change.



**PRELIMINARY OFFICIAL STATEMENT DATED APRIL 8, 2016**

*In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, as hereafter defined, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer, and estate taxes and Tennessee franchise and excise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)*

**\$8,700,000\***

**CHESTER COUNTY, TENNESSEE**  
**General Obligation Refunding Bonds, Series 2016**

Dated: Date of delivery (assume May 13, 2016).

Due: June 1 (as shown below)

The \$8,700,000\* General Obligation Refunding Bonds, Series 2016 (the "Bonds") of Chester County, Tennessee (the "County" or the "Issuer") are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2016 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged. See section entitled "SECURITIES OFFERED – Security".

Bonds maturing June 1, 2023 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2022.

<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2017	\$ 100,000				2029	\$ 355,000			
2018	100,000				2030	360,000			
2019	330,000				2031	370,000			
2020	335,000				2032	380,000			
2021	340,000				2033	390,000			
2022	345,000				2034	400,000			
2023	345,000				2035	415,000			
2024	355,000				2036	425,000			
2025	360,000				2037	445,000			
2026	370,000				2038	460,000			
2027	375,000				2039	470,000			
2028	385,000				2040	490,000			

(Accrued Interest to be added)

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire *Preliminary Official Statement* to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Glankler Brown, PLLC, Memphis, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from the County by Marty R. Phillips, Esq., counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about May \_\_, 2016.

**Cumberland Securities Company, Inc.**  
*Financial Advisor*

April \_\_, 2016

\* Preliminary, subject to change

This Preliminary Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Preliminary Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Preliminary Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Preliminary Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Preliminary Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, as herein after defined, the Disclosure Certificate, as herein after defined, and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Bond Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such acts. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer, the Financial Advisor or the Underwriter, as herein after defined, to give any information or to make any representations other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Financial Advisor or the Underwriter. Except where otherwise indicated, all information contained in this Preliminary Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

\*\* These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The County is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

# CHESTER COUNTY, TENNESSEE

## COUNTY OFFICIALS

Honorable Dwain Seaton	<i>County Mayor</i>
Stacey Smith	<i>County Clerk</i>
Lance Beshires	<i>County Trustee</i>
Marty R. Phillips	<i>County Attorney</i>
Beverly Morton	<i>Assessor of Property</i>
Judy Benard	<i>Finance/Budget Director</i>

## BOARD OF COUNTY COMMISSIONERS

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

## BOND REGISTRATION AND PAYING AGENT

Regions Bank  
Nashville, Tennessee

## BOND COUNSEL

Glankler Brown, PLLC  
Memphis, Tennessee

## FINANCIAL ADVISOR

Cumberland Securities Company, Inc.  
Knoxville, Tennessee



## TABLE OF CONTENTS

<b>SUMMARY STATEMENT</b> .....	i
<b>NOTICE OF SALE</b> .....	iii
<b>DETAILED NOTICE OF SALE</b> .....	iv
<b>BID FORM</b> .....	x
<b>SECURITIES OFFERED</b>	
Authority and Purpose.....	1
Description of the Bonds.....	1
Refunding Plan.....	1
Security.....	2
Qualified Tax-Exempt Obligations.....	2
Optional Redemption of the Bonds.....	2
Mandatory Redemption.....	3
Notice of Redemption .....	3
Payment of Bonds .....	4
<b>BASIC DOCUMENTATION</b>	
Registration Agent.....	5
Book-Entry-Only System.....	5
Discontinuance of Book-Entry-Only System .....	7
Disposition of Bond Proceeds.....	8
Discharge and Satisfaction of Bonds .....	9
Remedies of Bondholders .....	10
<b>LEGAL MATTERS</b>	
Litigation .....	11
Tax Matters	
<i>Federal</i> .....	11
<i>State Taxes</i> .....	13
Changes in Federal and State Law .....	13
Closing Certificates .....	14
Approval of Legal Proceedings.....	14
<b>MISCELLANEOUS</b>	
Rating .....	15
Competitive Public Sale.....	15
Financial Advisor; Related Parties; Other .....	15
Additional Debt .....	16
Debt Limitations.....	17
Debt Record.....	17
Continuing Disclosure.....	17
<i>Five-Year Filing History</i> .....	17
<i>Content of Annual Report</i> .....	17
<i>Reporting of Significant Events</i> .....	18
<i>Termination of Reporting Obligation</i> .....	19

<i>Amendment; Waiver</i> .....	20
<i>Default</i> .....	20
Additional Information .....	20
<b>CERTIFICATION OF ISSUER</b> .....	22

**APPENDIX A: LEGAL OPINION**

**APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT**

**General Information**

Location.....	B-1
General .....	B-1
Transportation .....	B-1
Education.....	B-1
Manufacturing and Commerce.....	B-2
<i>Major Employers in Chester County</i> .....	B-2
Employment Information .....	B-3
Economic Data .....	B-3
Parks and Recreation.....	B-4

**Debt Structure**

Summary of Bonded Indebtedness.....	B-5
Indebtedness and Debt Ratios .....	B-6
Debt Service Requirements - General Obligation.....	B-8

**Financial Information**

Introduction .....	B-9
Fund Balances and Retained Earnings .....	B-9
Five-Year Summary of Revenues, Expenditures and Changes in Fund Balance – General Fund.....	B-10
Basis of Accounting and Presentation.....	B-11
Investment and Cash Management Practices .....	B-11
Real Property Assessment, Tax Levy and Collection Procedures	
<i>State Taxation of Property</i> .....	B-11
<i>County Taxation of Property</i> .....	B-12
<i>Assessment of Property</i> .....	B-13
<i>Periodic Reappraisal and Equalization</i> .....	B-14
<i>Valuation for Property Tax Purposes</i> .....	B-14
<i>Certified Tax Rate</i> .....	B-14
<i>Tax Freeze for the Elderly Homeowners</i> .....	B-15
<i>Tax Collection and Tax Lien</i> .....	B-15
<i>Assessed Valuations</i> .....	B-16
<i>Property Tax Rates and Collections</i> .....	B-16
<i>Ten Largest Taxpayers</i> .....	B-17
Pension Plan .....	B-17

**APPENDIX C: GENERAL PURPOSE FINANCIAL STATEMENTS**



## SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Preliminary Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Preliminary Official Statement*.

- The Issuer .....Chester County, Tennessee (the “County” or “Issuer”). See the section entitled “Supplemental Information Statement” for more information.
- Securities Offered.....\$8,700,000\* General Obligation Refunding Bonds, Series 2016 (the “Bonds”) of the County, dated the date of delivery (estimated to be May 13, 2016). The Bonds will mature each June 1 beginning June 1, 2017 through June 1, 2040, inclusive. See the section entitled “SECURITIES OFFERED – Authority and Purpose”.
- Security.....The Bonds shall be payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the County are hereby irrevocably pledged.
- Purpose.....The Bonds are being issued for the purposes of providing funds for (i) the refinancing of the Refunded Obligations (as described herein); and (ii) the payment of costs incident to the issuance of the Bonds.
- Optional Redemption .....The Bonds are subject to optional redemption prior to maturity on or after June 1, 2022, in whole or in part at any time, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.
- Tax Matters.....In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS – Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer, and estate taxes and Tennessee franchise and excise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)
- Bank Qualification.....The Bonds will be treated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
- Rating.....Standard and Poor’s Investment Services: “AA-”. See the section entitled “MISCELLANEOUS - Rating” for more information.
- Underwriter....., \_\_\_\_\_, \_\_\_\_\_.
- Financial Advisor .....Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS - Financial Advisor; Related Parties; Other”, herein.
- Bond Counsel .....Glankler Brown, PLLC, Memphis, Tennessee.
- Book-Entry-Only.....The Bonds will be issued under the Book-Entry System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION - Book-Entry System”

Registration and Paying Agent ....Regions Bank, Nashville, Tennessee (the “Registration Agent”).

General .....The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See the section entitled SECURITIES OFFERED herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of the Depository Trust Company, New York, New York.

Disclosure .....In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the County will provide the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled “MISCELLANEOUS-Continuing Disclosure.”

Other Information .....The information in the *Preliminary Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omission of certain pricing and other information allowed to be omitted pursuant to Rule 15c2-12. For more information concerning the County, or the PRELIMINARY OFFICIAL STATEMENT, contact Mr. Dwain Seaton, County Mayor, P.O. Box 38340, Henderson, Tennessee 38340, Telephone: (731) 989-5672; or the County's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Additional information regarding **BIDCOMP™/PARITY®** may be obtained from **PARITY®**, 1359 Broadway - 2<sup>nd</sup> Floor, New York, NY 10018, Telephone: (800) 850.7422.

**GENERAL FUND BALANCES**

**Summary of Changes In Fund Balances**

For the Fiscal Year Ended June 30

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Beginning Fund Balance	\$ 1,881,996	\$ 1,116,079	\$ 799,528	\$1,509,247	1,947,260
Revenues	4,822,379	5,123,189	6,058,899	6,040,412	6,211,342
Expenditures	5,956,844	5,490,309	5,351,944	5,454,899	6,229,505
Other Financing Sources:	368,548				
Other Loans or Leases					
Issued	-	-	-	-	-
Insurance Recovery	-	50,569	2764	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	(147,500)	(268,000)
<b>Ending Fund Balance</b>	<b><u>\$1,116,079</u></b>	<b><u>\$799,528</u></b>	<b><u>\$1,509,247</u></b>	<b><u>\$1,947,260</u></b>	<b><u>\$1,661,097</u></b>

Source: Comprehensive Annual Financial Reports of the County.

## NOTICE OF SALE

**\$8,700,000\***

### **CHESTER COUNTY, TENNESSEE**

### **General Obligation Refunding Bonds, Series 2016**

NOTICE IS HEREBY GIVEN that the County Mayor of Chester County, Tennessee (the “County” or “Issuer”) will receive electronic or written bids for the purchase of all, but not less than all, of the County's \$8,700,000\* General Obligation Refunding Bonds, Series 2016 (the “Bonds”) at the office of the County's Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863, until **11:15 a.m. E.D.T. on Monday, April 18, 2016**. Prior to accepting bids, the County reserves the right to adjust the principal amount of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY**<sup>®</sup> System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the **PARITY**<sup>®</sup> System.

Electronic bids must be submitted through **PARITY**<sup>®</sup> via the BiDComp Competitive Bidding Service as described in the Detailed Notice of Sale and no other provider of electronic bidding services will be accepted. For the purposes of the bidding process, both written and electronic, the time maintained by **PARITY**<sup>®</sup> shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in **PARITY**<sup>®</sup> conflict with the terms of the Detailed Notice of Sale and this Summary Notice of Sale, the Detailed Notice of Sale and this Summary Notice of Sale shall prevail.

The Bonds will be issued in book-entry form (except as otherwise described in the “Detailed Notice of Sale”) and dated their date of issuance and delivery (assume May 13, 2016) and will mature on June 1, 2017 through June 1, 2040, inclusive with term bonds optional, and will be subject to redemption prior to maturity on or after June 1, 2022. Bidders must bid not less than ninety-nine percent (99.00%) of par or no more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the County by Glankler Brown, PLLC, Bond Counsel, Memphis, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum. Unless bids are rejected, the Bonds will be awarded by the County Mayor of the County on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

Additional information, including the PRELIMINARY OFFICIAL STATEMENT in near final form and the Detailed Notice of Sale, may be obtained through [www.prospectushub.com](http://www.prospectushub.com) or from the undersigned, the Honorable Dwain Seaton, County Mayor, P.O. Box 296, Henderson, Tennessee 38340, (731) 989-5672 or from the County's Financial Advisor, Cumberland Securities Company, Inc., P.O. Box 24508, Knoxville, Tennessee 37933, (865) 988-2663. Further information regarding **PARITY**<sup>®</sup> may be obtained from i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York, 10018, Telephone: 212-849-5000.

/s/ Dwain Seaton  
County Mayor

\* Preliminary, subject to change

DETAILED NOTICE OF SALE

**\$8,700,000\***

**CHESTER COUNTY, TENNESSEE**

**General Obligation Refunding Bonds, Series 2016**

NOTICE IS HEREBY GIVEN that electronic or written bids will be received by the County Mayor of Chester County, TENNESSEE (the “County” or “Issuer”), all or none, until **11:15 a.m. E.D.T. on Monday, April 18, 2016**. (or at such later time and date announced at least forty-eight hours in advance via Bloomberg News Service or the **PARITY**<sup>®</sup> system) for the purchase of \$8,700,000\* General Obligation Refunding Bonds, Series 2016 (the “Bonds”). Electronic bids must be submitted through **PARITY**<sup>®</sup> as described in this “Detailed Notice of Sale.” In case of written bids, bids will be received at the office of the County’s Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the County reserves the right to adjust the principal amount of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY**<sup>®</sup> System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the **PARITY**<sup>®</sup> System.

Description of the Bonds. The Bonds will be issued in book-entry only form without coupons and will be issued or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2016.

The Bonds will mature and be payable on June 1 of each year as outlined below:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2017	\$ 100,000	2029	\$ 355,000
2018	100,000	2030	360,000
2019	330,000	2031	370,000
2020	335,000	2032	380,000
2021	340,000	2033	390,000
2022	345,000	2034	400,000
2023	345,000	2035	415,000
2024	355,000	2036	425,000
2025	360,000	2037	445,000
2026	370,000	2038	460,000
2027	375,000	2039	470,000
2028	385,000	2040	490,000

Bank Qualification. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended.

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the “Book-Entry-Only System”). One or more fully-registered bond certificates (the “Bond Certificates”) will be issued for each

maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The Book-Entry-Only system will evidence beneficial ownership interests of the Bonds in the principal amount of \$5,000 for the Bonds and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC, pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity, to DTC or its nominee, as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The County will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the winning bidder certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use of the Book-Entry-Only System is not required.

In the event that the Book-Entry-Only System for the Bonds is discontinued and a successor securities depository is not appointed by the County, the Bond Certificates in fully registered form will be delivered to, and registered in the names of the DTC participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 for the Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) at its principal corporate trust office, and the County and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution authorizing the Bonds.

Security Pledged. The Bonds shall be payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the County are hereby irrevocably pledged.

Purpose. The Bonds are being issued for the purposes of providing funds for (i) the refinancing of the Refunded Obligations (as described herein); and (ii) the payment of costs incident to the issuance of the Bonds.

Optional Redemption. The Bonds maturing on and after June 1, 2023 will be subject to redemption prior to maturity at the option of the County on and after June 1, 2022, in whole or in part at any time, at the redemption price of par plus accrued interest as provided herein.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds (“Term Bonds”) bearing a single interest rate. If the successful bidder for the Bonds designates certain consecutive serial maturities of such series of Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the County at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date. Term Bonds to be redeemed within a single maturity shall be selected in the same manner as above for optional redemption of Bonds within a single maturity.

Bidding Instructions. The County will receive electronic or written bids for the purchase of all, but not less than all, of the Bonds. Bidders for the Bonds are requested to name the interest rate or rates the Bonds are

to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be in excess of five percent (5.00%) per annum. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate shall apply to each single maturity of the Bonds. Bidders must bid not less than ninety-nine percent (99.00%) of par or no more than one hundred and twenty-five percent (125%) of par.

Electronic bids must be submitted through **PARITY**<sup>®</sup> via BiDCOMP Competitive Bidding System and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid. The County will not confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For the purposes of the bidding process, the time as maintained by **PARITY**<sup>®</sup> shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **PARITY**<sup>®</sup> conflict with the terms of the Detailed Notice of Sale, this Notice shall prevail. An electronic bid made through the facilities of **PARITY**<sup>®</sup> shall be deemed an offer to purchase in response to the Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, written bid delivered to the County. The County shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **PARITY**<sup>®</sup>. The use of **PARITY**<sup>®</sup> facilities are at the sole risk of the prospective bidders.

For further information regarding **PARITY**<sup>®</sup>, potential bidders may contact i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> Floor, New York, NY 10018, Telephone: 212-849-5000.

In the event of a system malfunction in the electronic bidding process only, bidders may submit bid prior to the established date and time by FACSIMILE transmission sent to the County's Financial Advisor, Cumberland Securities Company, Inc., at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. The County and the Financial Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Separate written bids should be submitted by facsimile to the County's Financial Advisor, at 865-988-1863. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT.

Acceptance or rejection of "Bids for Bonds" for the Bonds will not obligate the County to accept or reject "Bids for Bonds".

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the Mayor of the County to the bidder whose bid complies with this notice and results in the lowest true interest rate on the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds exclusive of accrued interest. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the County Mayor shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

*The County reserves the right to reject all bids and to waive informalities in the bids accepted.*

Adjustment and/or Revision. While it is the County's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the County Mayor reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to \$2,100,000. The primary factor to be considered in such adjustment is the amount of premium that is bid. Among other factors the

County Mayor may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of the County. Additionally, the County Mayor reserves the right to change the dated date of the Bonds. The maximum revision will occur if the winning bidder bids the maximum price.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid for the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern Daylight Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the County's Financial Advisor (via wire transfer or certified check) the amount of up to two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by the County's Financial Advisor no later than the close of business on the day following the competitive sale. A wire transfer may be sent to First Tennessee Bank, ABA Number: 084-000-026 First Tenn Mem, FAO Cumberland Securities Company, Inc., Account No. 183302631, for further credit to Good Faith Trust Account.

The good faith deposit shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by the County as liquidated damages.

In the event of the failure of the County to deliver the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit will be promptly returned to the purchaser unless the purchaser directs otherwise.

Reoffering Prices; Other Information. The successful bidder must furnish the following information to the County to complete the *Official Statement* in final form within two (2) hours after receipt and award of the bid for the Bonds:

1. The offering prices or yields for the Bonds (expressed as a price or yield per maturity, exclusive of any accrued interest, if applicable);
2. Selling compensation (aggregate total anticipated compensation to the underwriter(s) expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields as provided above);
3. The identity of the underwriters if the successful bidder is part of a group or syndicate; and
4. Any other material information necessary to complete the *Official Statement* in final form but not known to the County.

In addition, within two hours of the award of the Bonds, the successful bidder shall furnish to the County a certificate acceptable to Bond Counsel stating: (i) the reoffering prices (as shown in the bidder's winning bid); (ii) that the successful bidder will make a bona fide public offering of all of the Bonds at such reoffering prices; and (iii) that the successful bidder reasonably expects that the Bonds (or at least 10% of each maturity of the Bonds) will be sold to the public (excluding bond houses, brokers and other intermediaries) at those reoffering prices.

As a condition to the delivery of the Bonds, the successful bidder will be required to deliver a certificate to the County confirming that nothing has come to the bidder's attention that would lead it to believe that its certification with respect to the reoffering prices of the Bonds given in connection with the award of the Bonds is inaccurate, and addressing such other matters as to the reoffering prices of the Bonds as bond counsel may request.

Legal Opinion. The unqualified approving opinion of Glankler Brown, PLLC, Memphis, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the County. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes; is not an item of tax preference for purposes of the federal law alternative minimum tax imposed on individuals and corporations; and is taken into account in determining adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. As set forth in the *Preliminary Official Statement*, the owners of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds. Reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, the County will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the County by not later than twelve months after each of the County's fiscal years, (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board ("MSRB") and any State Information Depository established in the State of Tennessee (the "SID"). If the County is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The specific nature of the information to be contained in the Annual Report or the notices of events will be summarized in the County's *Official Statement* to be prepared and distributed in connection with the sale of each series of Bonds.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days notice will be given the successful bidder. Delivery will be made in book-entry form through the facilities of the Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds. Delivery is currently expected on or about May 13, 2016.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of the County. The County will assume no obligation for assignment of such numbers or the correctness of such numbers and neither failure to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The County has deemed the PRELIMINARY OFFICIAL STATEMENT to be final as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (the "SEC") except for the omission of certain pricing and other information. The County will furnish the successful bidder at the expense of the County a reasonable number of copies of the *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder(s) to the persons to whom such bidder and members of its bidding group initially sell the Bonds. Acceptance of the bid will constitute a contract between the County and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Official Bid Form, may be obtained from the County's Financial Advisor, Cumberland Securities Company, Inc., P.O. Box 24508, Knoxville, Tennessee 37933, Telephone: 865-988-



2663. Further information regarding **PARITY**<sup>®</sup> may be obtained from i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ Dwain Seaton, County Mayor

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**BID FORM**  
(Written Alternative)

Honorable Dwain Seaton, County Mayor  
P.O. Box 296  
Henderson, Tennessee 38340

April 18, 2016

Dear Mayor Seaton:

For your legally issued, properly executed \$8,700,000\* General Obligation Refunding Bonds, Series 2016 (the "Bonds") of Chester County, Tennessee (the "County") in all respects as more fully outlined in your Notices of Sale which by reference are made a part hereof, we will pay you a sum of \_\_\_\_\_.

The Bonds shall be dated the date of delivery (assume May 13, 2016) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on June 1 and bear interest at the following rates:

<u>June 1</u> <u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>June 1</u> <u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2017	\$ 100,000	_____%	2029	\$ 355,000	_____%
2018	100,000	_____%	2030	360,000	_____%
2019	330,000	_____%	2031	370,000	_____%
2020	335,000	_____%	2032	380,000	_____%
2021	340,000	_____%	2033	390,000	_____%
2022	345,000	_____%	2034	400,000	_____%
2023	345,000	_____%	2035	415,000	_____%
2024	355,000	_____%	2036	425,000	_____%
2025	360,000	_____%	2037	445,000	_____%
2026	370,000	_____%	2038	460,000	_____%
2027	375,000	_____%	2039	470,000	_____%
2028	385,000	_____%	2040	490,000	_____%

We have the option to designate two or more consecutive serial maturities of the Bonds as term bond maturities as indicated:

- Term Bond 1: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 2: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 3: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 4: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 5: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 6: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 7: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.
- Term Bond 8: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.

It is our understanding that the Bonds will be issued as "qualified tax-exempt obligations" subject to the final approving opinion of Glankler Brown, PLLC, Bond Counsel, Memphis, Tennessee, whose opinion together with the executed Bonds, will be furnished by the County without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for 2% of the aggregate principal amount of the Bonds on which we have bid by the close of business on the date of the competitive public sale as outlined in the *Detailed Notice of Sale*. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Bonds on which we have bid.

Accepted for and on behalf of the  
Chester County, Tennessee, this  
18<sup>th</sup> day of April, 2016.

Respectfully submitted,

\_\_\_\_\_

\_\_\_\_\_  
Dwain Seaton, County Mayor

Total interest cost from  
May 13, 2016 to final maturity \$ \_\_\_\_\_  
Less: Premium /plus discount, if any \$ \_\_\_\_\_  
Net Interest Cost ..... \$ \_\_\_\_\_  
True Interest Rate ..... %

*The computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.*

\* Preliminary, subject to change



**\$8,700,000\***  
**CHESTER COUNTY, TENNESSEE**  
**General Obligation Refunding Bonds, Series 2016**

**SECURITIES OFFERED**

**AUTHORITY AND PURPOSE**

This *Preliminary Official Statement*, which includes the Summary Statement and appendices, is furnished in connection with the offering by Chester County, Tennessee (the “County” or “Issuer”) of its \$8,700,000\* General Obligation Refunding Bonds, Series 2016 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and amended, and other applicable provisions of law and pursuant to the bond resolution (the “Resolution”) duly adopted by the County Commission of the County on March 14, 2016.

The Bonds are being issued for the purposes of providing funds for (i) the refinancing of the Refunded Obligations (as described herein); and (ii) the payment of costs incident to the issuance of the Bonds.

**DESCRIPTION OF THE BONDS**

The Bonds will be initially dated and bear interest from their date of issuance and delivery (assume May 13, 2016). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2016. The Bonds are issuable in book-entry only form in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the County Mayor and shall be attested by the County Clerk. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of the authentication noted thereon.

**REFUNDING PLAN**

The County intends to refinance a portion of the County’s outstanding General Obligation Bonds, Series 2008, dated June 30, 2008 maturing June 1, 2019 through June 1, 2040 which are callable at par on June 1, 2018 (the “Refunded Obligations”).

As required by Title 9, Chapter 21, Part 9 of *Tennessee Code Annotated* as supplemented and revised, a plan of refunding (the “Plan”) for the Refunded Obligations was submitted to the

State Director of State and Local Finance for review and that office's report on the Plan was submitted to the County.

## **SECURITY**

The Bonds shall be payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the County are hereby irrevocably pledged.

The County, through its governing body, shall annually levy and collect a tax on all taxable property within the County, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the County and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of direct appropriations from the General Fund of the County to the payment of debt service on the Bonds.

The Bonds will not be obligations of the State of Tennessee.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

Under the Internal Revenue Code of 1986, as amended (the "Code"), in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations," as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the County as to the Bonds, Bond Counsel has determined that upon issuance the Bonds will be "qualified tax-exempt obligations" within the meaning of the Code.

## **OPTIONAL REDEMPTION OF THE BONDS**

The Bonds maturing June 1, 2023 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2022 in whole or in part at any time at a redemption price of par plus accrued interest.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of County Commissioners, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

**MANDATORY REDEMPTION**

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply. Subject to the credit hereinafter provided, the County shall redeem Bonds maturing June 1, 20\_\_, and June 1, 20\_\_ on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed shall be selected by lot or in such other random manner as the Registration Agent in its discretion may designate.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
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\*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the County may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the County on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The County shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

**NOTICE OF REDEMPTION**

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the County not less than twenty (20) nor more than sixty (60)

days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date (“Conditional Redemption”). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the County nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the County pursuant to written instructions from an authorized representative of the County (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the County to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

## **PAYMENT OF BONDS**

The Bonds will bear interest from their dated date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Bond Registrar to the person in whose name such Bond is registered at the close of business on the 15<sup>th</sup> day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Bond Registrar.

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## BASIC DOCUMENTATION

### REGISTRATION AGENT

The Bond Registration and Paying Agent, Regions Bank, Nashville, Tennessee, its successor (the “Registration Agent”) or the County will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as described in the following section entitled “Book-Entry-Only System”. However, if the winning bidder certifies to the County that it intends to hold the Bonds for its own account and has no present intent to reoffer the Bonds, then the use of the Book-Entry System is not required.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners (as herein after defined) of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

### BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners (as herein after defined) of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, as herein after defined, of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book entry system maintained by DTC (the “Book Entry Only System”). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

*DTC and its Participants.* DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a

“clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry-only transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

*Purchase of Ownership Interests.* Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

*Payments of Principal and Interest.* Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC’s records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the

beneficial owners shall be the responsibility of Direct and Indirect Participants.

*Notices.* Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE FINANCIAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

*Transfers of Bonds.* To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

#### **DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM**

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the County determines to discontinue

the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the County will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

*No Assurance Regarding DTC Practices.* The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County, the Bond Counsel, the Registration Agent, the Financial Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the County, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

## **DISPOSITION OF BOND PROCEEDS**

The proceeds of the sale of the Bonds shall be applied by the County as follows:

- (a) all accrued interest shall be deposited into the Bond Fund of the Issuer and used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds;
- (b) the Issuer shall pay, or cause to be paid, all costs of issuance of the Bonds, including, but not limited to, necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premiums, bond rating fees, Registration Agent fees, administrative and clerical costs, and other necessary miscellaneous expenses incurred in connection with the authorization, issuance and sale and delivery of the Bonds; and
- (c) the balance of the proceeds will be used for the purpose of providing for the payment of the principal of and interest on the Refunded Obligations, the County Mayor is hereby authorized and directed to execute and the County Clerk to attest on behalf of the Issuer a refunding escrow agreement (the "Refunding Escrow Agreement") with Regions Bank, Nashville, Tennessee as the escrow agent (the "Escrow Agent") and to deposit with the Escrow Agent all or a portion of the Bond proceeds and other funds of the Issuer legally available therefor. Said funds will be used by the Escrow Agent to purchase the Permitted Securities as provided in the Refunding Escrow Agreement; provided, however, that the yield on such investments shall be determined in such manner that none of the Bonds will be an "arbitrage bond" within the meaning of Section 148(a) of the Code. The Escrow Agent is hereby authorized to hold and administer all funds deposited in trust for the payment when due of

principal of and interest on the Refunded Obligations and to exercise the duties set forth in the Refunding Escrow Agreement. The County Commission of the Issuer has authorized the County Mayor to subscribe for the purchase of Permitted Securities for deposit pursuant to the Refunding Escrow Agreement.

## **DISCHARGE AND SATISFACTION OF BONDS**

If the County shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

- (a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;
- (b) By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (an "Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or defeasance obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); and
- (c) By delivering such Bonds to the Registration Agent for cancellation by it;

and if the County shall also pay or cause to be paid all other sums payable hereunder by the County with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such escrow agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the County to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the County shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations (defined herein) deposited as aforesaid.

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the County as received by the Registration Agent and (B) to the extent such cash will be

required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the County, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

## **REMEDIES OF BONDHOLDERS**

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the County, including, but not limited to, the right to require the County to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the County to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

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## LEGAL MATTERS

### LITIGATION

There are no claims against the County, including claims in litigation, which, in the opinion of the County, would materially affect the County's financial position as it relates to its ability to make payments on the Bonds. There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the County to sell or issue the Bonds. See the subsection entitled "Closing Certificates" for additional information.

### TAX MATTERS

#### Federal

*General.* Glankler Brown, PLLC, Memphis, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the County and assuming compliance by the County with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "Code"),
- is not a preference item for a bondholder under the federal alternative minimum tax, and
- is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

The Code imposes requirements on the Bonds that the County must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the County does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The County has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the

Bonds or affect the market price of the Bonds. See also "Changes in Federal and State Tax Law" below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

*Bond Premium.* If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and, as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with a bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

*Original Issue Discount.* A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of an original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount

*Qualified Tax-Exempt Obligations.* Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the County as to the Bonds, Bond Counsel has determined that the Bonds, upon issuance, will be "qualified tax-exempt obligations" within the meaning of the Code.

*Information Reporting and Backup Withholding.* Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.



If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

### **State Taxes**

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

### **CHANGES IN FEDERAL AND STATE TAX LAW**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## **CLOSING CERTIFICATES**

Upon delivery of the Bonds, the County will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the County Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the County since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the County Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the County Mayor and County Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the County concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

## **APPROVAL OF LEGAL PROCEEDINGS**

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Glankler Brown, PLLC, Memphis, Tennessee, Bond Counsel. Bond counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, bond counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled “LEGAL MATTERS - Tax Matters.” The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled MISCELLANEOUS – “Competitive Public Sale”, “Additional Information” and “Continuing Disclosure.”

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## MISCELLANEOUS

### **RATING**

Standard and Poor's Rating Services ("Standard and Poor's") has given the Bonds the rating of "AA-".

There is no assurance that such ratings will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by Standard and Poor's, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the ratings may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of Standard and Poor's and any explanation of the significance of such ratings should be obtained from Standard and Poor's.

### **COMPETITIVE PUBLIC SALE**

The Bonds will be offered for sale at competitive public bidding on April 18, 2016. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated April 8, 2016.

The successful bidder for the Bonds was an account led by \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$\_\_\_\_\_ (consisting of the par amount of the Bonds, less an underwriter's discount of \$\_\_\_\_\_ and an original issue discount of \$\_\_\_\_\_) or \_\_\_\_% of par plus accrued interest, if any, to the date of delivery.

### **FINANCIAL ADVISOR; RELATED PARTIES; OTHER**

*Financial Advisor.* Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as financial advisor (the "Financial Advisor") to the County for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Financial Advisor has not been engaged by the County to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the County, including without limitation any of the County's financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the

County, any of its affiliates or contractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Financial Advisor as to its accuracy or completeness or otherwise. The Financial Advisor is not a public accounting firm and has not been engaged by the County to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

*Regions Bank.* Regions Bank (the “Bank”) is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the County in other normal commercial banking capacities, it will be compensated separately for such services.

*Official Statements.* Certain information relative to the location, economy and finances of the Issuer is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the County and will be compensated and/or reimbursed for such distribution and other such services.

*Bond Counsel.* From time to time, Glankler Brown, PLLC has represented the Bank on legal matters unrelated to the County and may do so again in the future.

*Other.* Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company’s role as serving as the County’s Dissemination Agent. If the County chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

## **ADDITIONAL DEBT**

The County has not authorized any additional debt but has ongoing projects that could require additional debt in the future.

## **DEBT LIMITATIONS**

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the County uses the statutory authority granted therein to issue bonds. (see DEBT STRUCTURE - Indebtedness and Debt Ratios for additional information.)

## **DEBT RECORD**

There is no record of a default on principal and interest payments by the County from information available. Additionally, no agreements or legal proceedings of the County relating to securities have been declared invalid or unenforceable.

## **CONTINUING DISCLOSURE**

The County will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the County by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2016 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at [www.emma.msrb.org](http://www.emma.msrb.org) and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12"). The County is in compliance with the undertakings required under the Rule.

*Five-Year History of Filing.* While it is believed that all appropriate filings were made with respect to the ratings of the County's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12. With the exception of the foregoing, for the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

*Content of Annual Report.* The County's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the County for the fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the County's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-5;
2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-6 and B-7;
3. Information about the Bonded Debt Service Requirements – General Fund and General Debt Service Fund as of the end of such fiscal year as shown on page B-8;
4. The fund balances and retained earnings for the fiscal year as shown on page B-9;
5. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-10;
6. The estimated assessed value of property in the County for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-16;
8. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-16; and
9. The ten largest taxpayers as shown on page B-17.

Any or all of the items above may be incorporated by reference from other documents, including Official Statements in final form for debt issues of the County or related public entities, which have been submitted to the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, in final form, it will be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

*Reporting of Significant Events.* The County will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the County shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the County shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults, if material;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- g. Modifications to rights of Bondholders, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the securities, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

*Termination of Reporting Obligation.* The County's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

*Amendment; Waiver.* Notwithstanding any other provision of the Disclosure Certificate, the County may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized Bond Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds, or (ii) does not, in the opinion of nationally recognized Bond Counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

*Default.* In the event of a failure of the County to comply with any provision of the Disclosure Certificate, any Bondholder, or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the County to comply with the Disclosure Certificate shall be an action to compel performance.

## **ADDITIONAL INFORMATION**

Use of the words "shall," "must," or "will" in this Official Statement in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no



representation is made that any of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the County and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The County has deemed this PRELIMINARY OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12 except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

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**CERTIFICATION OF ISSUER**

On behalf of the County, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ \_\_\_\_\_  
County Mayor

ATTEST:

/s/ \_\_\_\_\_  
County Clerk



**APPENDIX A**

**PROPOSED FORM OF LEGAL OPINION**



[LETTERHEAD OF GLANKLER BROWN, PLLC]

(Date of Closing)

Board of County Commissioners  
of Chester County, Tennessee  
159 East Main Street  
Henderson, Tennessee 38340

**Re: \$\_\_\_\_\_ General Obligation Refunding Bonds, Series 2016 of Chester  
County, Tennessee**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Chester County, Tennessee (the "County"), of \$\_\_\_\_\_ aggregate principal amount of its General Obligation Refunding Bonds, Series 2016 dated as of the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or any other offering material published and distributed in connection with the sale of the Bonds or any other information concerning the financial condition of the County which may have been provided to the purchasers of the Bonds, and we express no opinion relating thereto.

Based on our examination, we are of the opinion, under existing law, as of the date hereof, as follows:

1. The Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of Tennessee and constitute the valid and binding general obligations of the County for the payment of which the County has irrevocably pledged its full faith and credit. The Bonds are payable as to both principal and interest from ad valorem taxes to be levied, as necessary, upon all taxable property within the County without limitation as to rate or amount.

2. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current

earnings for the purpose of computing the alternative minimum tax. The opinion set forth in clause (a) above is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The County has covenanted to comply with all such requirements. Except as set forth in this Paragraph 2 and in Paragraph 4 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

3. The Bonds and the income therefrom are exempt from all present state, county and municipal taxation in the State of Tennessee, except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on any Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

4. The Bonds have been designated (or are deemed designated) by the County as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

To the extent constitutionally applicable, the rights of the holders of the Bonds and the enforceability thereof are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereinafter enacted. Also, the enforcement of bondholder rights may be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,



**APPENDIX B**

**SUPPLEMENTAL INFORMATION STATEMENT**

## GENERAL INFORMATION

### LOCATION

Chester County (the “County”) is located in the northwestern portion of the State of Tennessee. Henderson County and Hardin County make up the eastern border of Chester County. To the south, the County is bordered by McNairy County and to the west by Hardeman County and Madison County. The City of Henderson serves as the county seat and is located 17 miles from Jackson and 85 miles from Memphis.

### GENERAL

The County has about 285 square miles. The natural resources and agricultural products of the area are hardwoods, cotton, soybeans, corn and livestock.

The County is also part of the Jackson Metropolitan Statistical Area (the “MSA”), which also includes Madison County. According to the 2010 US Census the MSA had a population of 114,679. Chester County has a population of 17,131, according to the 2010 Census.

### TRANSPORTATION

Transportation facilities are provided by West Tennessee Railroad, U.S. Highway 45 and State Highway 100 serve the County. Interstate Highway 40 is within fourteen miles north of the County. The nearest regional airport, McKellar-Sipes Airport, is located seventeen miles north in Jackson and has a 6,000 foot grooved runway.

### EDUCATION

The *Chester County School System* is made up of six public schools: three elementary schools, two middle schools and one senior high school. The school system has a fall 2014 enrollment of 2,846 students with about 163 teachers.

*Freed-Hardeman University* is a private institution, associated with churches of Christ. It was founded in 1869 and is located in Henderson, Chester County, Tennessee. Freed-Hardeman seeks to provide a liberal arts education for all students primarily through its general education and general degree requirements. Courses are offered by twelve academic departments organized into six schools—Arts and Humanities, Biblical Studies, Business, Education, Sciences and Mathematics, and the Honors College. Total enrollment is about 1,900 each year.

*Source:* Freed-Hardeman University.

*The Tennessee Technology Center at Jackson.* The Tennessee Technology Center at Jackson is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution’s primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Jackson serves the southwest region of the state including Madison, Gibson, Henderson, Crocket and Chester Counties. The Technology Center at Jackson began

operations in 1963, and the main campus is located in Madison County. Fall 2013 enrollment was 1,472 students. There are four satellite centers: the McWherter Instructional Service Center in Jackson, the Lexington Extension Campus, Humboldt High School and the Humboldt Instructional Service Center.

*Source:* Tennessee Technology Center at Jackson.

**MANUFACTURING AND COMMERCE**

Chester County is home to two industrial parks. Henderson Industrial Park (about 150 acres) and East Property are both located in Henderson.

The following is a list of the largest manufacturers located the County:

<u>Company</u>	<u>Product</u>	<u>Number of Employees</u>
Chester County School System*	Education	177
Premier Manufacturing Corp.	Wire Products	150
Anvil International	Pipe Nipples, Hangers, Metal Stamping	95
Neo Products	Hose Couplings	70
Henderson Stamping & Production	Metal Stamping	60
Quality Metal Stamping L.L.C.	Tools, Dies, Jigs, Metal Stamping	50
Arvin Sango	Exhaust Systems	40
Chester County Independent	Newspaper	25
Eagle Warehouse & Distributing	Distribution	20

\*Employment for teachers and administrators only.

*Source:* The West Tennessee Industrial Association and the Chester County Chamber of Commerce - 2015.

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## EMPLOYMENT INFORMATION

For the month of February 2016, the unemployment rate for Chester County stood at 4.7% with 7,810 persons employed out of a labor force of 8,190.

The Jackson MSA's unemployment for February 2016 was at 4.7% with 58,950 persons employed out of a labor force of 61,880.

### Unemployment

	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
National	8.9%	8.1%	7.4%	6.2%	5.3%
Tennessee	9.2%	8.0%	8.2%	6.7%	5.8%
<b>Chester County</b>	<b>9.7%</b>	<b>8.5%</b>	<b>8.9%</b>	<b>7.0%</b>	<b>6.1%</b>
Index vs. National	109	105	120	113	115
Index vs. State	105	106	109	104	105
<b>Jackson, TN MSA</b>	<b>9.6%</b>	<b>8.2%</b>	<b>8.5%</b>	<b>7.0%</b>	<b>6.1%</b>
Index vs. National	108	101	115	113	115
Index vs. State	104	103	104	104	105

Source: Tennessee Department of Labor and Workforce Development.

## ECONOMIC DATA

### Per Capita Personal Income

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
National	\$40,277	\$42,453	\$44,266	\$44,438	\$46,049
Tennessee	\$35,601	\$37,323	\$39,137	\$39,312	\$40,457
<b>Chester County</b>	<b>\$26,286</b>	<b>\$27,703</b>	<b>\$29,215</b>	<b>\$28,886</b>	<b>\$29,417</b>
Index vs. National	65	65	66	65	64
Index vs. State	74	74	75	73	73
<b>Jackson MSA</b>	<b>\$32,172</b>	<b>\$34,291</b>	<b>\$35,539</b>	<b>\$35,688</b>	<b>\$36,359</b>
Index vs. National	80	81	80	80	79
Index vs. State	90	92	91	91	90

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## RECREATION

*The Bear Trace at Chickasaw.* Recently named "One of the Top Ten You Can Play" by Golf Magazine, The Bear Trace at Chickasaw captures all the flair and natural beauty of its sister courses on the Tennessee Golf Trail while adding a distinctive characteristic indigenous to its geographic region: natural wetlands. Several holes feature split fairways with landing areas adjacent to a stream, natural marshland or both hazards. With multiple tees, this heavily wooded, 18-hole, 7,118-yard, par 72 layout provides a scenic and challenging round of golf for players of every skill level. The Bear Trace at Chickasaw is located approximately 10 minutes west of Henderson.

*Chickasaw State Rustic Park.* Chickasaw State Rustic Park is situated on some of the highest terrain in west Tennessee. Of the area's 14,384 acres of timberland, 1,280 acres are used for recreation. The remainder is state forest managed jointly by the State Forestry Division and the Tennessee Wildlife Resources Agency. The park is located in Chester and Hardeman Counties, 18 miles south of Jackson, Tennessee on State Hwy 100. Rowboats and pedal boats are available for rent on Lake Placid. The park has hiking and biking (mountain bike trails available) trails, vacation cottages and three campgrounds. Horses are also available for rent from the park stables. The Sagamore Lodge meeting facility seats 100 people. The park's 100-seat restaurant offers excellent Southern cuisine in a restful atmosphere. The restaurant is open throughout most of the year.

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**CHESTER COUNTY, TENNESSEE**  
**SUMMARY OF BONDED INDEBTEDNESS**

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	As of June 30, 2015 OUTSTANDING
\$ 9,300,000	General Obligation Bonds, Series 2008	June 2040	Fixed	\$ 8,460,000
1,455,000	General Obligation Bonds, Series 2011	June 2028	Fixed	820,000
<u>\$ 10,755,000</u>	<b>TOTAL BONDED DEBT</b>			<u>\$ 9,280,000</u>
\$ 8,700,000	General Obligation Refunding Bonds, Series 2016	June 2040	Fixed	\$ 8,700,000
<u>(7,920,000)</u>	Less: Refunded Bonds			<u>(7,920,000)</u>
<u>\$ 11,535,000</u>	<b>NET BONDED DEBT</b>			<u>\$ 10,060,000</u>

Highway Department				
AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	(1) OUTSTANDING
\$ 200,343	General Obligation Notes, Series 2012 (Highway Fund)	Jan. 2016	Fixed	\$ 32,063

**NOTES:**

(1) The above figures do not include short-term notes or capital leases outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

**CHESTER COUNTY, TENNESSEE**  
Indebtedness and Debt Ratios

**INTRODUCTION**

The information set forth in the following table is based upon information derived in part from the GENERAL PURPOSE FINANCIAL STATEMENTS which are attached herein and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in this document.

	For Fiscal Years Ending June 30				After	
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>INDEBTEDNESS</b>						
General Obligation Bonds & Notes (1)	\$12,685,000	\$12,086,884	\$11,209,424	\$10,279,667	\$9,312,063	\$10,092,063
<b>TOTAL TAX SUPPORTED</b>	<u>12,685,000</u>	<u>12,086,884</u>	<u>11,209,424</u>	<u>10,279,667</u>	<u>9,312,063</u>	<u>10,092,063</u>
<b>TOTAL DEBT</b>	\$12,685,000	\$12,086,884	\$11,209,424	\$10,279,667	\$9,312,063	\$10,092,063
Less: Debt Service Fund	(381,584)	(430,479)	(496,453)	(503,179)	(490,383)	(490,383)
<b>NET DIRECT DEBT</b>	<u>\$12,303,416</u>	<u>\$11,656,405</u>	<u>\$10,712,971</u>	<u>\$9,776,488</u>	<u>\$8,821,680</u>	<u>\$9,601,680</u>
<b>PROPERTY TAX BASE</b>						
Estimated Actual Value	\$773,787,118	\$794,748,850	\$804,534,150	\$811,118,431	\$825,446,733	\$825,446,733
Appraised Value	773,787,118	794,748,850	799,304,678	811,118,431	825,446,733	825,446,733
Assessed Value	212,717,225	219,188,044	219,960,603	223,224,595	226,985,052	226,985,052

(1) The above figures do not include short-term notes or capital leases outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS.

<b>DEBT RATIOS</b>	<b>For Fiscal Years Ending June 30</b>					<b>After Issuance</b>
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	
TOTAL DEBT to Estimated Actual Value	1.64%	1.52%	1.39%	1.27%	1.13%	1.22%
TOTAL DEBT to Appraised Value	1.64%	1.52%	1.40%	1.27%	1.13%	1.22%
TOTAL DEBT to Assessed Value	5.96%	5.51%	5.10%	4.61%	4.10%	4.45%
NET DIRECT DEBT to Estimated Actual Value	1.59%	1.47%	1.33%	1.21%	1.07%	1.16%
NET DIRECT DEBT to Appraised Value	1.59%	1.47%	1.34%	1.21%	1.07%	1.16%
NET DIRECT DEBT to Assessed Value	5.78%	5.32%	4.87%	4.38%	3.89%	4.23%
<b>PER CAPITA RATIOS</b>						
POPULATION (1)	17,175	17,171	17,321	17,379	17,379	17,379
PER CAPITA PERSONAL INCOME (2)	\$29,284	\$31,354	\$31,718	\$31,718	\$31,718	\$31,718
Estimated Actual Value to POPULATION	45,053	46,284	46,448	46,672	47,497	47,497
Assessed Value to POPULATION	12,385	12,765	12,699	12,845	13,061	13,061
Total Debt to POPULATION	739	704	647	591	536	581
Net Direct Debt to POPULATION	716	679	618	563	508	552
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.52%	2.25%	2.04%	1.86%	1.69%	1.83%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	2.11%	2.11%	2.11%	2.11%	2.11%	2.11%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census Bureau.

(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the U. S. Department of Commerce.



**CHESTER COUNTY, TENNESSEE**

**BONDED DEBT SERVICE REQUIREMENTS - General Debt Service Fund and Solid Waste Fund and Education Debt Service Fund and Highway Fund**

F.Y. Ended 6/30	Existing General Obligation Debt (1) - as of June 30, 2015		General Obligation Refunding Bonds, Series 2016		Less: Refunded Bonds		Total Bonded Debt Service Requirements		% Principal Repaid	
	Principal	Interest	Principal	Interest (2)	Principal	Interest	Principal	Interest		
2016	\$ 397,063	\$ 406,472	\$ 803,535	\$ -	\$ -	\$ -	\$ 397,063	\$ 406,472	803,535	3.93%
2017	240,000	391,271	631,271	205,231	-	(352,953)	340,000	243,550	583,550	
2018	260,000	382,484	642,484	304,953	-	(352,953)	360,000	234,484	594,484	
2019	280,000	370,109	650,109	330,000	203,953	(562,953)	400,000	221,109	621,109	
2020	295,000	356,371	651,371	335,000	200,323	(220,000)	410,000	215,291	625,291	
2021	305,000	343,028	648,028	340,000	196,303	(230,000)	415,000	208,928	623,928	23.01%
2022	325,000	329,090	654,090	345,000	191,883	(250,000)	420,000	202,070	622,070	
2023	340,000	316,653	656,653	345,000	187,053	(260,000)	425,000	194,803	619,803	
2024	295,000	303,253	598,253	355,000	181,878	(275,000)	375,000	186,628	561,628	
2025	315,000	291,228	606,228	360,000	176,198	(290,000)	385,000	180,198	565,198	
2026	325,000	278,338	603,338	370,000	169,898	(300,000)	395,000	172,898	567,898	42.83%
2027	335,000	264,738	599,738	375,000	162,868	(310,000)	400,000	164,868	564,868	
2028	350,000	250,718	600,718	385,000	155,368	(325,000)	410,000	156,368	566,368	
2029	340,000	235,905	575,905	355,000	146,705	(340,000)	355,000	146,705	501,705	
2030	355,000	221,455	576,455	360,000	138,185	(355,000)	360,000	138,185	498,185	
2031	370,000	206,190	576,190	370,000	129,185	(370,000)	370,000	129,185	499,185	61.60%
2032	385,000	190,280	575,280	380,000	119,565	(385,000)	380,000	119,565	499,565	
2033	400,000	173,725	573,725	390,000	109,305	(400,000)	390,000	109,305	499,305	
2034	425,000	156,325	581,325	400,000	98,385	(425,000)	400,000	98,385	498,385	
2035	440,000	137,838	577,838	415,000	86,785	(440,000)	415,000	86,785	501,785	
2036	460,000	118,038	578,038	425,000	74,335	(460,000)	425,000	74,335	499,335	81.52%
2037	480,000	97,338	577,338	445,000	61,373	(480,000)	445,000	61,373	506,373	
2038	500,000	75,138	575,138	460,000	47,355	(500,000)	460,000	47,355	507,355	
2039	520,000	52,013	572,013	470,000	32,405	(520,000)	470,000	32,405	502,405	
2040	575,000	27,313	602,313	490,000	16,660	(575,000)	490,000	16,660	506,660	100.00%
	\$ 9,312,063	\$ 5,975,305	\$ 15,287,368	\$ 8,700,000	\$ 3,296,146	\$ (13,343,545)	\$ 10,092,063	\$ 3,847,906	\$ 13,939,969	

**NOTES:**

- (1) The above figures do not include short-term notes or capital leases outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS.
- (2) Estimated Interest Rates. Estimated Average Coupon 2.73%.

## FINANCIAL INFORMATION

### INTRODUCTION

As required by generally accepted accounting principles (GAAP), all County funds and account groups are organized according to standards established by the Government Accounting Standards Board (GASB). The County's financial reporting system is designed to provide timely, accurate feedback on the County's overall financial position and includes, at a minimum, quarterly reports to the County Commission. All County financial statements are audited annually by independent certified public accountants.

### FUND BALANCES AND RETAINED EARNINGS

The table below depicts fund balances and retained earnings for the last five fiscal years.

#### For the Fiscal Year Ended June 30

<u>FUND TYPE</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<i>Governmental Funds:</i>					
General	\$1,116,079	\$ 799,528	\$1,509,247	\$1,947,260	\$1,661,097
Solid Waste	403,547	298,326	259,274	305,738	475,158
Highway/Public Works	687,034	428,840	584,092	587,662	617,191
Other Governmental	<u>956,703</u>	<u>1,427,053</u>	<u>1,190,033</u>	<u>1,127,098</u>	<u>1,096,983</u>
<b>Total</b>	<b><u>\$3,163,363</u></b>	<b><u>\$2,655,421</u></b>	<b><u>\$3,542,646</u></b>	<b><u>\$3,967,758</u></b>	<b><u>\$3,850,429</u></b>

Source: Comprehensive Annual Financial Reports of Chester County, Tennessee.

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**CHESTER COUNTY, TENNESSEE**  
 Five Year Summary of Revenues, Expenditures and  
 Changes In Fund Balances - General Fund  
 For the Fiscal Year Ended June 30

	<b>Fiscal Year Ending June 30,</b>				
	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
<b>Revenues:</b>					
Taxes	\$ 2,971,256	\$ 3,216,606	\$ 4,207,409	\$ 4,401,632	\$ 4,301,654
Licenses, Permits, Fines	8,012	12,143	8,682	-	-
Fines and Costs	75,517	87,170	88,138	77,294	70,885
Charges for Services	16,136	48,359	58,357	69,421	79,469
Other Revenues	328,687	426,907	151,124	57,514	34,069
Fees Rec'vd from County Officials	565,261	553,407	645,232	601,337	631,861
State of Tennessee	288,674	432,827	555,658	537,545	529,236
Federal Government	333,121	154,516	98,386	45,515	302,411
Other Govt.'s & Groups	235,715	191,254	245,913	250,154	261,757
<b>Total Revenues</b>	<b>\$ 4,822,379</b>	<b>\$ 5,123,189</b>	<b>\$ 6,058,899</b>	<b>\$ 6,040,412</b>	<b>\$ 6,211,342</b>
<b>Expenditures:</b>					
General Government	\$ 871,378	\$ 790,899	\$ 828,006	\$ 791,287	\$ 979,258
Finance	640,866	634,999	647,917	672,477	669,470
Administration of Justice	579,698	560,624	567,563	579,900	602,506
Public Safety	3,081,502	2,714,087	2,809,759	2,825,556	3,292,194
Public Health & Welfare	447,999	491,558	296,873	331,560	349,599
Social, Cultural & Recreational Services	75,875	13,157	7,358	36,409	25,342
Agricultural & Natural Resources	84,752	68,422	56,989	63,809	61,623
Other Operations	166,006	216,563	137,479	153,901	179,150
Highways	-	-	-	-	-
Education	-	-	-	-	-
Debt Service	8,768	-	-	-	-
Capital Projects	-	-	-	-	70,363
<b>Total Expenditures</b>	<b>\$ 5,956,844</b>	<b>\$ 5,490,309</b>	<b>\$ 5,351,944</b>	<b>\$ 5,454,899</b>	<b>\$ 6,229,505</b>
Excess of Revenues Over (Under) Expenditures	\$ (1,134,465)	\$ (367,120)	\$ 706,955	\$ 585,513	\$ (18,163)
<b>Other Financing Sources (Uses):</b>					
Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	-	(147,500)	(268,000)
Insurance Recovery	-	50,569	2,764	-	-
Bond and Note and Other Proceeds	368,548	-	-	-	-
<b>Total</b>	<b>\$ 368,548</b>	<b>\$ 50,569</b>	<b>\$ 2,764</b>	<b>\$ (147,500)</b>	<b>\$ (268,000)</b>
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ (765,917)	\$ (316,551)	\$ 709,719	\$ 438,013	\$ (286,163)
<b>Fund Balance July 1</b>	<b>1,881,996</b>	<b>1,116,079</b>	<b>799,528</b>	<b>1,509,247</b>	<b>1,947,260</b>
<b>Fund Balance June 30</b>	<b>\$ 1,116,079</b>	<b>\$ 799,528</b>	<b>\$ 1,509,247</b>	<b>\$ 1,947,260</b>	<b>\$ 1,661,097</b>

Source : Comprehensive Annual Financial Report for Chester County.

## **BASIS OF ACCOUNTING AND PRESENTATION**

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as a net current asset. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general ruling include: (1) sick pay which is not accrued, (2) principal and interest on general long-term debt which is recognized when due, and (3) inventory purchases which are not recognized until the inventory item has been used.

## **INVESTMENT AND CASH MANAGEMENT PRACTICES**

Investment of idle County operating funds is controlled by State statute and local policies. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the State equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the County. For reporting purposes, all investments are stated at cost which approximates market value. The County Trustee is responsible for the administration of all County investments.

## **REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES**

### *State Taxation of Property; Classifications of Taxable Property; Assessment Rates*

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;

- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

- (a) Public Utility Property, to be assessed at 55% of its value;
- (b) Industrial and Commercial Property, to be assessed at 30% of its value; and
- (c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of \$7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

### ***County Taxation of Property***

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

### ***Assessment of Property***

*County Assessments; County Board of Equalization.* The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January 1 for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

*State Assessments of Public Utility Property; State Board of Equalization.* The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

### ***Periodic Reappraisal and Equalization***

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an one-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

### ***Valuation for Property Tax Purposes***

*County Valuation of Property.* The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State board of equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

*State Valuation of Public Utility Property.* The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole (*i.e.*, the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

### ***Certified Tax Rate***

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each

municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the "*Certified Tax Rate*") which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

### ***Tax Freeze for the Elderly Homeowners***

The Tennessee Constitution was amended by the voters in November, 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is \$500 for the year in which he becomes eligible, his property taxes will remain at \$500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

### ***Tax Collection and Tax Lien***

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.



*Assessed Valuations.* According to the Tax Aggregate Report, property in the County reflected a ratio of appraised value to true market value of 1.00. The table on the following page shows pertinent data for tax year 2014.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Actual Valuation</u>
Public Utilities	\$ 16,455,977	55%	\$ 37,699,833
Commercial and Industrial	31,058,920	40%	77,647,300
Personal Tangible Property	11,671,530	30%	38,905,100
Residential and Farm	<u>167,798,625</u>	25%	<u>671,194,500</u>
<b>Total</b>	<b><u>\$226,985,052</u></b>		<b><u>\$825,446,733</u></b>

Source: 2014 Tax Aggregate Report of Tennessee.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2015 (tax year 2014) is \$226,985,052 compared to \$223,224,595 for the fiscal year ending June 30, 2014 (tax year 2013). The estimated actual value of all taxable property for tax year 2014 is \$825,446,733 compared to \$811,118,431 for tax year 2013.

*Property Tax Rates and Collections.* The following table shows the property tax rates and collections of the County for tax years 2011 through 2015 as well as the aggregate uncollected balances for each fiscal year ending June 30.

<b>PROPERTY TAX RATES AND COLLECTIONS</b>				<b>Fiscal Yr Collections</b>		<b>Aggregate Uncollected Balance</b>	
<b>Tax Year</b>	<b>Assessed Valuation</b>	<b>Tax Rates</b>	<b>Taxes Levied</b>	<b>Amount</b>	<b>Pct</b>	<b>June 30, 2015</b>	
						<b>Amount</b>	<b>Pct</b>
2011	\$219,188,044	\$ 2.17	\$4,717,240	\$4,474,198	94.9%	\$ 14,371	0.3%
2012	219,960,603	2.5202	5,511,561	5,133,473	93.1%	40,410	0.7%
2013	223,224,595	2.5202	5,588,921	5,285,583	94.6%	83,026	1.5%
2014	226,985,052	2.5202	5,720,474	5,383,720	94.1%	327,926	5.7%
2015	229,493,822	2.5202	5,769,337	<b>IN PROGRESS</b>			

<sup>1</sup>The tax year coincides with the calendar year, therefore, tax year 2014 is actually fiscal year 2014-2015.

*Ten Largest Taxpayers.* For the fiscal year ending June 30, 2015 (tax year 2014), the ten largest taxpayers in the County are as follows:

	<u>Taxpayer</u>	<u>Business Type</u>	<u>Taxes Assessed</u>	<u>Taxes Levied</u>
1.	Southwest Electric	Electric	\$ 9,807,938	\$247,180
2.	Anvil	Manufacturing	1,709,686	43,088
3.	Bellsouth Telecom	Telecommunications	1,393,604	35,122
4.	Dr. Carey Frix	Private	1,349,376	34,004
5.	Norfolk Southern	Railroad	1,284,812	32,380
6.	Mid-Valley Pipeline	Utility	1,215,155	30,624
7.	Arrington Estates	Federal Housing	862,692	21,742
8.	Hendersonview Apt	Rentals	846,560	21,335
9.	Premier	Manufacturing	740,682	18,667
10.	Henderson Stamping	Manufacturing	<u>739,305</u>	<u>18,632</u>
	<b>TOTAL</b>		<b><u>\$19,949,810</u></b>	<b><u>\$502,774</u></b>

*Source:* The County.

## **PENSION PLANS**

Employees of Chester County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Chester County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

For additional information on the funding status, trend information and actuarial status of the County's retirement programs, please refer to the appropriate Notes to Financial Statements located in the General Purpose Financial Statements of the County located herein.



**GENERAL PURPOSE FINANCIAL STATEMENTS**

CHESTER COUNTY, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2015

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of Chester County for the fiscal year ended June 30, 2015 which is available upon request from the County.



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

**FOR THE YEAR ENDED JUNE 30, 2015**



**DIVISION OF LOCAL GOVERNMENT AUDIT**



**ANNUAL FINANCIAL REPORT**  
**CHESTER COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

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

**JAN PAGE, CPA, CFE**  
*Audit Manager*

**LEE ANN WEST, CPA, CGFM**  
*Auditor 4*

**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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## CHESTER COUNTY, TENNESSEE TABLE OF CONTENTS

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	Exhibit	Page(s)
Summary of Audit Findings		6
<b><u>INTRODUCTORY SECTION</u></b>		7
Chester County Officials		8
<b><u>FINANCIAL SECTION</u></b>		9
Independent Auditor's Report		10-13
<b>BASIC FINANCIAL STATEMENTS:</b>		14
<b>Government-wide Financial Statements:</b>		
Statement of Net Position	A	15-16
Statement of Activities	B	17-18
<b>Fund Financial Statements:</b>		
<b>Governmental Funds:</b>		
Balance Sheet	C-1	19-20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	24
<b>Statements of Revenues, Expenditures, and Changes in Fund             Balances – Actual and Budget:</b>		
General Fund	C-5	25-26
Solid Waste/Sanitation Fund	C-6	27
Highway/Public Works Fund	C-7	28
<b>Fiduciary Funds:</b>		
Statement of Fiduciary Assets and Liabilities	D	29
Index and Notes to the Financial Statements		30-71
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>		72
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS – Primary Government	E-1	73
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS – Primary Government	E-2	74
Schedule of Contributions Based on Participation in the Teacher Retirement Plan of TCRS – Discretely Presented Chester County School Department	E-3	75
Schedule of Contributions Based on Participation in the Teacher Legacy Pension Plan of TCRS – Discretely Presented Chester County School Department	E-4	76



	Exhibit	Page(s)
Schedule of Proportionate Share of the Net Pension Asset in the Teacher Legacy Pension Plan of TCRS – Discretely Presented Chester County School Department	E-5	77
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Chester County School Department	E-6	78
Notes to the Required Supplementary Information		79
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		80
Nonmajor Governmental Funds:		81-82
Combining Balance Sheet	F-1	83-86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	87-90
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Public Library Fund	F-3	91
Drug Control Fund	F-4	92
General Debt Service Fund	F-5	93
Education Debt Service Fund	F-6	94
Fiduciary Funds:		95
Combining Statement of Fiduciary Assets and Liabilities	G-1	96
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	G-2	97
Component Unit:		
Discretely Presented Chester County School Department:		98
Statement of Activities	H-1	99
Balance Sheet – Governmental Funds	H-2	100
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	H-3	101
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	H-4	102
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	H-5	103
Combining Balance Sheet – Nonmajor Governmental Funds	H-6	104
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	H-7	105
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	H-8	106-107
School Federal Projects Fund	H-9	108
Central Cafeteria Fund	H-10	109
Statement of Fiduciary Net Position	H-11	110
Statement of Changes in Fiduciary Net Position	H-12	111

	Exhibit	Page(s)
Miscellaneous Schedules:		112
Schedule of Changes in Long-term Note and Bonds	I-1	113
Schedule of Long-term Debt Requirements by Year	I-2	114
Schedule of Investments	I-3	115
Schedule of Transfers – Primary Government and Discretely Presented Chester County School Department	I-4	116
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Chester County School Department	I-5	117
Schedule of Detailed Revenues – All Governmental Fund Types	I-6	118-129
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Chester County School Department	I-7	130-132
Schedule of Detailed Expenditures – All Governmental Fund Types	I-8	133-149
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Chester County School Department	I-9	150-158
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	I-10	159
 <u>SINGLE AUDIT SECTION</u>		 160
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 <i>Government Auditing Standards</i>		161-162
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 OMB Circular A-133		163-165
Schedule of Expenditures of Federal Awards and State Grants		166-167
Schedule of Audit Findings Not Corrected		168
Schedule of Findings and Questioned Costs		169-172
Best Practice		173
Auditee Reporting Responsibilities		174

## ***Summary of Audit Findings***

Annual Financial Report  
Chester County, Tennessee  
For the Year Ended June 30, 2015

### ***Scope***

We have audited the basic financial statements of Chester County as of and for the year ended June 30, 2015.

### ***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 and recommendations are included in the Single Audit section of this report.

### ***Findings***

The following are summaries of the audit findings:

#### **OFFICE OF ROAD SUPERVISOR**

- ◆ The office had deficiencies in purchasing procedures.
  - ◆ Duties were not segregated adequately.
- 

#### **OFFICE OF TRUSTEE**

- ◆ Employees had access to each cash drawer.

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# INTRODUCTORY SECTION

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## Chester County Officials

June 30, 2015

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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 MICHIGAN  
DEPARTMENT OF TREASURY  
DIVISION OF FINANCE  
LANSING, MICHIGAN

January 1, 1912

The following is a statement of the assets and liabilities of the State of Michigan, as of January 1, 1912, as reported by the Department of Finance.

The assets of the State of Michigan, as of January 1, 1912, consist of the following:

The liabilities of the State of Michigan, as of January 1, 1912, consist of the following:

The net assets of the State of Michigan, as of January 1, 1912, are as follows:



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

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, 2015, 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, 2015, and the respective changes in financial position and the respective budgetary comparisons for the General, Solid Waste/Sanitation, 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. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

### ***Emphasis of Matter***

We draw attention to Note I.D.8. to the financial statements, which describes a restatement to the beginning Governmental Activities net position totaling (\$306,421) and the discretely presented Chester County School Department net position totaling (\$3,400,936) on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 on pages 73-79 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.

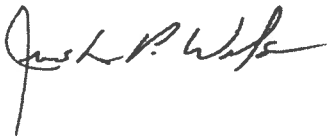
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, combining and individual fund financial statements of the Chester County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility 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 September 15, 2015, 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,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

September 15, 2015

JPW/sb

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## BASIC FINANCIAL STATEMENTS

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Exhibit A

Chester County, Tennessee  
Statement of Net Position  
June 30, 2015

	Primary Governmental Activities	Component Unit Chester County School Department
<b><u>ASSETS</u></b>		
Cash	\$ 1,338	\$ 0
Equity in Pooled Cash and Investments	3,411,794	5,063,933
Investments	250,524	0
Accounts Receivable	1,794	8,120
Due from Other Governments	354,295	355,008
Due from Primary Government	0	532
Property Taxes Receivable	4,211,329	1,799,200
Allowance for Uncollectible Property Taxes	(116,941)	(49,961)
Net Pension Asset - Agent Plan	178,729	263,778
Net Pension Asset - Cost-sharing Plan	0	37,045
Capital Assets:		
Assets Not Depreciated:		
Land	2,926,204	501,552
Construction in Progress	167,506	0
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	8,929,190	10,466,722
Infrastructure	1,632,134	0
Other Capital Assets	1,788,828	1,392,735
Total Assets	<u>\$ 23,736,724</u>	<u>\$ 19,838,664</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred Charge on Refunding	\$ 4,998	\$ 0
Pension Changes in Experience	0	89,936
Pension Other Deferrals	0	7,149
Pension Contributions After Measurement Date	288,309	1,024,853
Total Deferred Outflows of Resources	<u>\$ 293,307</u>	<u>\$ 1,121,938</u>
<b><u>LIABILITIES</u></b>		
Accounts Payable	\$ 9,280	\$ 47,931
Payroll Deductions Payable	249	278
Accrued Interest Payable	36,195	0
Due to Component Unit	532	0
Other Current Liabilities	1,298	0
Noncurrent Liabilities:		
Due Within One Year	400,830	0
Due in More Than One Year (net of unamortized premium on debt)	9,232,097	522,908
Total Liabilities	<u>\$ 9,680,481</u>	<u>\$ 571,117</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>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred Current Property Taxes	\$ 3,923,246	\$ 1,676,122
Pension Changes in Experience	51,340	75,771
Pension Changes in Investment Earnings	435,647	3,695,206
Total Deferred Inflows of Resources	<u>\$ 4,410,233</u>	<u>\$ 5,447,099</u>
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	\$ 6,183,633	\$ 12,361,009
Restricted for:		
Administration of Justice	25,974	0
Public Safety	128,738	0
Public Health and Welfare	15,197	0
Social, Cultural, and Recreational Services	250,524	0
Highway/Public Works	523,549	0
Capital Outlay	0	385,010
Debt Service	495,895	0
Education	0	34,396
Operation of Non-instructional Services	0	332,376
Unrestricted	<u>2,315,807</u>	<u>1,829,595</u>
Total Net Position	<u>\$ 9,939,317</u>	<u>\$ 14,942,386</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, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Component Unit
				Total Governmental Activities	Chester County School Department	
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
General Government	\$ 950,680	\$ 78,063	\$ 21,017	\$ (851,600)	\$ 0	0
Finance	658,062	370,565	0	(287,497)	0	0
Administration of Justice	673,438	283,873	8,274	(381,291)	0	0
Public Safety	3,310,224	752,513	58,595	(2,245,856)	0	0
Public Health and Welfare	1,411,926	451,351	280,090	(680,485)	0	0
Social, Cultural, and Recreational Services	165,932	13,015	586	(152,331)	0	0
Agriculture and Natural Resources	82,015	0	0	(82,015)	0	0
Highways/Public Works	1,642,132	0	1,450,834	(178,112)	0	0
Interest on Long-term Debt	434,191	0	0	(434,191)	0	0
<b>Total Primary Government</b>	<b>\$ 9,328,600</b>	<b>\$ 1,949,380</b>	<b>\$ 1,819,396</b>	<b>\$ (5,293,378)</b>	<b>\$ 0</b>	<b>0</b>
<b>Component Unit:</b>						
Chester County School Department	\$ 19,997,814	\$ 432,811	\$ 2,940,329	0	\$ (16,624,674)	0
<b>Total Component Unit</b>	<b>\$ 19,997,814</b>	<b>\$ 432,811</b>	<b>\$ 2,940,329</b>	<b>0</b>	<b>\$ (16,624,674)</b>	<b>0</b>

(Continued)

Exhibit B

Chester County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	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 Activities	Chester County School Department
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 3,982,736	\$ 1,852,406
Property Taxes Levied for Debt Service				35,974	0
Local Option Sales Taxes				823,605	755,709
Wheel Tax				764,156	0
Litigation Taxes				55,920	0
Business Tax				84,397	0
Wholesale Beer Tax				46,516	0
Other Local Taxes				13,201	1,205
Grants and Contributions Not Restricted to Specific Programs				599,139	15,524,589
Unrestricted Investment Income				31,782	87,319
Miscellaneous				77,957	81,319
Pension Income				0	30,579
Total General Revenues				\$ 6,515,383	\$ 18,283,126
Change in Net Position				\$ 1,222,005	\$ 1,658,452
Net Position, July 1, 2014				9,023,733	16,684,870
Restatement - Pension Liability (see Note I.D.8)				(306,421)	(3,400,936)
Net Position, June 30, 2015				\$ 9,939,317	\$ 14,942,386

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, 2015

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	Other	Governmental Funds	
\$	0	0	0	0	1,338	1,338
Equity in Pooled Cash and Investments	1,639,409	458,693	517,529	796,163	3,411,794	3,411,794
Investments	0	0	0	250,524	250,524	250,524
Accounts Receivable	898	732	0	164	1,794	1,794
Due from Other Governments	26,950	16,265	211,080	100,000	354,295	354,295
Due from Other Funds	1,338	0	0	0	1,338	1,338
Property Taxes Receivable	4,126,426	0	47,698	37,205	4,211,329	4,211,329
Allowance for Uncollectible Property Taxes	(114,584)	0	(1,324)	(1,033)	(116,941)	(116,941)
Total Assets	\$ 5,680,437	\$ 475,690	\$ 774,983	\$ 1,184,361	\$ 8,115,471	

ASSETS

Cash	0	0	0	0	1,338	1,338
Equity in Pooled Cash and Investments	1,639,409	458,693	517,529	796,163	3,411,794	3,411,794
Investments	0	0	0	250,524	250,524	250,524
Accounts Receivable	898	732	0	164	1,794	1,794
Due from Other Governments	26,950	16,265	211,080	100,000	354,295	354,295
Due from Other Funds	1,338	0	0	0	1,338	1,338
Property Taxes Receivable	4,126,426	0	47,698	37,205	4,211,329	4,211,329
Allowance for Uncollectible Property Taxes	(114,584)	0	(1,324)	(1,033)	(116,941)	(116,941)
Total Assets	\$ 5,680,437	\$ 475,690	\$ 774,983	\$ 1,184,361	\$ 8,115,471	

LIABILITIES

Accounts Payable	9,280	0	0	0	0	9,280
Payroll Deductions Payable	0	0	249	0	249	249
Due to Other Funds	0	0	0	1,338	1,338	1,338
Due to Component Units	0	532	0	0	532	532
Other Current Liabilities	0	0	1,298	0	1,298	1,298
Total Liabilities	\$ 9,280	\$ 532	\$ 1,547	\$ 1,338	\$ 12,697	

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	3,844,150	0	44,436	34,660	3,923,246	3,923,246
Deferred Delinquent Property Taxes	154,572	0	1,769	1,380	157,721	157,721
Other Deferred/Unavailable Revenue	11,338	0	110,040	50,000	171,378	171,378
Total Deferred Inflows of Resources	\$ 4,010,060	\$ 0	\$ 156,245	\$ 86,040	\$ 4,252,345	

(Continued)



Exhibit C-1

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	Other	Governmental Funds	
\$	0	0	0	250,524	\$	250,524
25,974	0	0	0	0		25,974
16,925	0	0	0	111,813		128,738
15,197	0	0	0	0		15,197
0	0	414,246	0	0		414,246
0	0	0	0	475,545		475,545
0	475,158	0	0	0		475,158
0	0	0	0	100,748		100,748
0	0	202,945	0	0		202,945
0	0	0	0	143,515		143,515
0	0	0	0	14,838		14,838
1,603,001	0	0	0	0		1,603,001
\$ 1,661,097	\$ 475,158	\$ 617,191	\$ 1,096,983	\$		3,850,429
\$ 5,680,437	\$ 475,690	\$ 774,983	\$ 1,184,361	\$		8,115,471

FUND BALANCES

Nonspendable:  
Endowments  
Restricted:  
Restricted for Administration of Justice  
Restricted for Public Safety  
Restricted for Public Health and Welfare  
Restricted for Highways/Public Works  
Restricted for Debt Service  
Committed:  
Committed for Public Health and Welfare  
Committed for Social, Cultural, and Recreational Services  
Committed for Highways/Public Works  
Committed for Capital Outlay  
Committed for Debt Service  
Unassigned  
Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

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

Exhibit C-2

Chester County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
June 30, 2015

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)		\$	3,850,429
 (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: construction in progress		167,506	
Add: buildings and improvements net of accumulated depreciation		8,929,190	
Add: infrastructure net of accumulated depreciation		1,632,134	
Add: other capital assets net of accumulated depreciation		<u>1,788,828</u>	15,443,862
 (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	\$	(9,280,000)	
Less: note payable		(32,063)	
Less: compensated absences payable		(2,506)	
Less: landfill closure/postclosure care costs		(157,815)	
Less: other postemployment benefits liability		(107,540)	
Less: accrued interest on bonds		(36,195)	
Add: deferred amount on refunding		4,998	
Less: other deferred revenue - premium on debt		<u>(53,003)</u>	(9,664,124)
 (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	\$	288,309	
Less: deferred inflows of resources related to pensions		<u>(486,987)</u>	(198,678)
 (4) Net pension assets of the agent plan are not current financial resources and are therefore not reported in the governmental funds.			
			178,729
 (5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>329,099</u>
Net position of governmental activities (Exhibit A)		\$	<u>9,939,317</u>

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

Chester County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	Other	Governmental Funds		
<u>Revenues</u>							
Local Taxes	\$ 4,301,654	\$ 345,668	\$ 48,460	\$ 1,320,102	\$ 0	\$ 6,015,884	
Licenses and Permits	0	19,626	0	0	0	19,626	
Fines, Forfeitures, and Penalties	70,885	0	0	14,482	0	85,367	
Charges for Current Services	79,469	94,990	0	16,490	0	190,949	
Other Local Revenues	34,069	377,080	35,333	13,921	0	460,403	
Fees Received from County Officials	631,861	0	0	0	0	631,861	
State of Tennessee	529,236	417,084	1,466,361	78,089	0	2,490,770	
Federal Government	302,411	0	0	0	0	302,411	
Other Governments and Citizens Groups	261,757	30,000	0	9,929	0	301,686	
Total Revenues	\$ 6,211,342	\$ 1,284,448	\$ 1,550,154	\$ 1,453,013	\$ 0	\$ 10,498,957	
<u>Expenditures</u>							
Current:							
General Government	\$ 979,258	\$ 0	\$ 0	\$ 0	\$ 0	\$ 979,258	
Finance	669,470	0	0	0	0	669,470	
Administration of Justice	602,506	0	0	3,525	0	606,031	
Public Safety	3,292,194	0	0	39,137	0	3,331,331	
Public Health and Welfare	349,599	1,196,227	0	0	0	1,545,826	
Social, Cultural, and Recreational Services	25,342	0	0	79,690	0	105,032	
Agriculture and Natural Resources	61,623	0	0	0	0	61,623	
Other Operations	179,150	11,601	0	869	0	191,620	
Highways	0	0	1,464,628	0	0	1,464,628	
Debt Service:							
Principal on Debt	0	30,000	52,604	885,000	0	967,604	
Interest on Debt	0	2,200	3,993	434,998	0	440,591	
Other Debt Service	0	0	0	15,403	0	15,403	

(Continued)

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	Other Governmental Funds	Governmental Funds	
<u>Expenditures (Cont.)</u>						
Capital Projects	\$ 70,363	\$ 0	\$ 0	\$ 167,506	\$ 237,869	
Total Expenditures	\$ 6,229,505	\$ 1,240,028	\$ 1,520,625	\$ 1,626,128	\$ 10,616,286	
Excess (Deficiency) of Revenues Over Expenditures	\$ (18,163)	\$ 44,420	\$ 29,529	\$ (173,115)	\$ (117,329)	
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 125,000	\$ 0	\$ 143,000	\$ 268,000	
Transfers Out	(268,000)	0	0	0	(268,000)	
Total Other Financing Sources (Uses)	\$ (268,000)	\$ 125,000	\$ 0	\$ 143,000	\$ 0	
Net Change in Fund Balances	\$ (286,163)	\$ 169,420	\$ 29,529	\$ (30,115)	\$ (117,329)	
Fund Balance, July 1, 2014	1,947,260	305,738	587,662	1,127,098	3,967,758	
Fund Balance, June 30, 2015	\$ 1,661,097	\$ 475,158	\$ 617,191	\$ 1,096,983	\$ 3,850,429	

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, 2015

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)		\$ (117,329)
(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	\$ 891,793	
Less: current-year depreciation expense	(853,727)	38,066
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: book value of capital assets disposed		(1,725)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2015	\$ 329,099	
Less: deferred delinquent property taxes and other deferred June 30, 2014	(286,851)	42,248
(4) The issuance of long-term debt (e.g., bonds, notes) 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.		
Add: change in premium on debt issuances	\$ 11,125	
Add: principal payments on bonds	915,000	
Add: principal payments on note	52,604	
Less: change in deferred amount on refunding debt	(2,160)	976,569
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 6,400	
Change in compensated absences payable	436	
Change in other postemployment benefits liability	(8,016)	
Change in landfill closure/postclosure care costs	(1,116)	
Change in deferred outflows related to pensions	288,309	
Change in deferred inflows related to pensions	(486,987)	
Change in net pension asset	485,150	284,176
Change in net position of governmental activities (Exhibit B)		<u>\$ 1,222,005</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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<b>Revenues</b>				
Local Taxes	\$ 4,301,654	\$ 4,304,190	\$ 4,347,460	\$ (45,806)
Fines, Forfeitures, and Penalties	70,885	86,200	86,200	(15,315)
Charges for Current Services	79,469	60,450	109,400	(29,931)
Other Local Revenues	34,069	27,500	60,549	(26,480)
Fees Received from County Officials	631,861	624,000	624,000	7,861
State of Tennessee	529,236	472,080	537,098	(7,862)
Federal Government	302,411	43,000	293,907	8,504
Other Governments and Citizens Groups	261,757	243,500	243,500	18,257
<b>Total Revenues</b>	<b>\$ 6,211,342</b>	<b>\$ 5,860,920</b>	<b>\$ 6,302,114</b>	<b>\$ (90,772)</b>
<b>Expenditures</b>				
<b>General Government</b>				
County Commission	\$ 24,606	\$ 27,300	\$ 27,300	\$ 2,694
Board of Equalization	1,000	1,100	1,100	100
Budget and Finance Committee	807	2,425	2,425	1,618
County Mayor/Executive	145,133	146,470	146,470	1,337
County Attorney	28,294	15,000	30,000	1,706
Election Commission	212,263	193,430	218,415	6,152
Register of Deeds	134,793	140,782	140,782	5,989
County Buildings	374,885	412,720	379,720	4,835
Other Facilities	14,715	21,300	21,300	6,585
Other General Administration	42,762	36,070	56,070	13,308
<b>Finance</b>				
Accounting and Budgeting	90,191	98,469	98,469	8,278
Property Assessor's Office	169,978	185,983	185,983	16,005
Reappraisal Program	14,954	16,086	16,086	1,132
County Trustee's Office	176,429	183,766	183,766	7,337
County Clerk's Office	212,779	214,557	217,557	4,778
Other Finance	5,139	5,300	5,300	161
<b>Administration of Justice</b>				
Circuit Court	244,907	263,113	256,613	11,706
General Sessions Court	120,007	116,933	127,433	7,426
Chancery Court	200,649	197,835	207,835	7,186
Juvenile Court	36,943	36,662	37,122	179
<b>Public Safety</b>				
Sheriff's Department	1,521,225	1,507,625	1,530,765	9,540
Jail	1,265,423	1,215,140	1,270,084	4,661
Juvenile Services	66,673	68,948	68,488	1,815
Fire Prevention and Control	374,635	129,761	375,996	1,361
Civil Defense	54,871	65,048	65,048	10,177
Rescue Squad	6,700	6,700	6,700	0
County Coroner/Medical Examiner	2,667	10,000	10,000	7,333
<b>Public Health and Welfare</b>				
Local Health Center	32,790	38,820	38,820	6,030
Ambulance/Emergency Medical Services	180,113	245,113	245,113	65,000
Alcohol and Drug Programs	3,000	3,000	3,000	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>				
Other Local Health Services	\$ 47,024	\$ 43,824	\$ 47,524	\$ 500
Regional Mental Health Center	10,000	10,000	10,000	0
General Welfare Assistance	21,618	15,000	23,000	1,382
Other Local Welfare Services	12,364	0	12,560	196
Sanitation Education/Information	42,690	38,900	44,330	1,640
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	0	2,500	2,500	2,500
Other Social, Cultural, and Recreational	25,342	44,461	44,461	19,119
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	39,921	40,545	40,545	624
Soil Conservation	14,202	16,865	16,865	2,663
Flood Control	7,500	7,500	7,500	0
<u>Other Operations</u>				
Industrial Development	15,000	15,000	15,000	0
Veterans' Services	24,068	27,506	27,506	3,438
Employee Benefits	6,653	6,500	6,700	47
Miscellaneous	133,429	95,000	133,450	21
<u>Capital Projects</u>				
Other General Government Projects	70,363	0	70,363	0
<b>Total Expenditures</b>	<b>\$ 6,229,505</b>	<b>\$ 5,969,057</b>	<b>\$ 6,476,064</b>	<b>\$ 246,559</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (18,163)</b>	<b>\$ (108,137)</b>	<b>\$ (173,950)</b>	<b>\$ 155,787</b>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (268,000)	0	(268,000)	0
<b>Total Other Financing Sources</b>	<b>\$ (268,000)</b>	<b>0</b>	<b>\$ (268,000)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>\$ (286,163)</b>	<b>\$ (108,137)</b>	<b>\$ (441,950)</b>	<b>\$ 155,787</b>
<b>Fund Balance, July 1, 2014</b>	<b>1,947,260</b>	<b>1,808,655</b>	<b>1,808,655</b>	<b>138,605</b>
<b>Fund Balance, June 30, 2015</b>	<b>\$ 1,661,097</b>	<b>\$ 1,700,518</b>	<b>\$ 1,366,705</b>	<b>\$ 294,392</b>

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  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<b>Revenues</b>				
Local Taxes	\$ 345,668	\$ 311,450	\$ 311,450	\$ 34,218
Licenses and Permits	19,626	16,000	16,000	3,626
Charges for Current Services	94,990	70,250	70,250	24,740
Other Local Revenues	377,080	330,000	330,000	47,080
State of Tennessee	417,084	351,873	485,373	(68,289)
Federal Government	0	8,500	0	0
Other Governments and Citizens Groups	30,000	45,000	45,000	(15,000)
<b>Total Revenues</b>	<b>\$ 1,284,448</b>	<b>\$ 1,133,073</b>	<b>\$ 1,258,073</b>	<b>\$ 26,375</b>
<b>Expenditures</b>				
<b>Public Health and Welfare</b>				
Convenience Centers	\$ 518,539	\$ 411,211	\$ 558,711	\$ 40,172
Recycling Center	286,812	232,559	319,787	32,975
Other Waste Disposal	388,290	379,650	424,187	35,897
Postclosure Care Costs	2,586	5,000	5,000	2,414
<b>Other Operations</b>				
Other Charges	11,601	12,000	12,000	399
<b>Principal on Debt</b>				
General Government	30,000	30,000	30,000	0
<b>Interest on Debt</b>				
General Government	2,200	2,200	2,200	0
<b>Total Expenditures</b>	<b>\$ 1,240,028</b>	<b>\$ 1,072,620</b>	<b>\$ 1,351,885</b>	<b>\$ 111,857</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 44,420</b>	<b>\$ 60,453</b>	<b>\$ (93,812)</b>	<b>\$ 138,232</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	\$ 125,000	\$ 0	\$ 125,000	\$ 0
<b>Total Other Financing Sources</b>	<b>\$ 125,000</b>	<b>\$ 0</b>	<b>\$ 125,000</b>	<b>\$ 0</b>
<b>Net Change in Fund Balance</b>	<b>\$ 169,420</b>	<b>\$ 60,453</b>	<b>\$ 31,188</b>	<b>\$ 138,232</b>
<b>Fund Balance, July 1, 2014</b>	<b>305,738</b>	<b>136,203</b>	<b>136,203</b>	<b>169,535</b>
<b>Fund Balance, June 30, 2015</b>	<b>\$ 475,158</b>	<b>\$ 196,656</b>	<b>\$ 167,391</b>	<b>\$ 307,767</b>

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



Exhibit C-7

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<b>Revenues</b>				
Local Taxes	\$ 48,460	\$ 45,265	\$ 45,265	\$ 3,195
Other Local Revenues	35,333	29,500	29,500	5,833
State of Tennessee	1,466,361	1,613,285	1,613,285	(146,924)
<b>Total Revenues</b>	<b>\$ 1,550,154</b>	<b>\$ 1,688,050</b>	<b>\$ 1,688,050</b>	<b>\$ (137,896)</b>
<b>Expenditures</b>				
<b>Highways</b>				
Administration	\$ 131,726	\$ 140,010	\$ 145,010	\$ 13,284
Highway and Bridge Maintenance	687,802	655,000	707,500	19,698
Operation and Maintenance of Equipment	252,563	293,000	281,500	28,937
Other Charges	80,656	76,950	82,950	2,294
Employee Benefits	269,372	252,000	270,000	628
Capital Outlay	42,509	288,333	218,333	175,824
<b>Principal on Debt</b>				
Highways and Streets	52,604	52,604	52,604	0
<b>Interest on Debt</b>				
Highways and Streets	3,393	3,393	3,393	0
<b>Total Expenditures</b>	<b>\$ 1,520,625</b>	<b>\$ 1,761,290</b>	<b>\$ 1,761,290</b>	<b>\$ 240,665</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 29,529</b>	<b>\$ (73,240)</b>	<b>\$ (73,240)</b>	<b>\$ 102,769</b>
<b>Other Financing Sources (Uses)</b>				
Insurance Recovery	\$ 0	\$ 2,000	\$ 2,000	\$ (2,000)
<b>Total Other Financing Sources</b>	<b>\$ 0</b>	<b>\$ 2,000</b>	<b>\$ 2,000</b>	<b>\$ (2,000)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 29,529</b>	<b>\$ (71,240)</b>	<b>\$ (71,240)</b>	<b>\$ 100,769</b>
<b>Fund Balance, July 1, 2014</b>	<b>587,662</b>	<b>612,121</b>	<b>612,121</b>	<b>(24,459)</b>
<b>Fund Balance, June 30, 2015</b>	<b>\$ 617,191</b>	<b>\$ 540,881</b>	<b>\$ 540,881</b>	<b>\$ 76,310</b>

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, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 538,229
Due from Other Governments	<u>139,998</u>
Total Assets	<u>\$ 678,227</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 139,998
Due to Litigants, Heirs, and Others	<u>538,229</u>
Total Liabilities	<u>\$ 678,227</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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Note	Page(s)
<b>I. Summary of Significant Accounting Policies</b>	
A. Reporting Entity	31
B. Government-wide and Fund Financial Statements	32
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	33
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	
1. Deposits and Investments	35
2. Receivables and Payables	36
3. Capital Assets	37
4. Deferred Outflows/Inflows of Resources	38
5. Compensated Absences	39
6. Long-term Obligations	39
7. Net Position and Fund Balance	40
8. Restatement	41
E. Pension Plans	41
<b>II. Reconciliation of Government-wide and Fund Financial Statements</b>	
A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position	42
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	42
<b>III. Stewardship, Compliance, and Accountability</b>	
Budgetary Information	43
<b>IV. Detailed Notes on All Funds</b>	
A. Deposits and Investments	43
B. Capital Assets	45
C. Interfund Receivables, Payables, and Transfers	48
D. Long-term Obligations	49
E. Pledges of Future Revenues	52
F. On-Behalf Payments	52
<b>V. Other Information</b>	
A. Risk Management	53
B. Accounting Changes	54
C. Contingent Liabilities	54
D. Changes in Administration	54
E. Landfill Closure/Postclosure Care Costs	54
F. Jointly Governed Organization	55
G. Retirement Commitments	55
H. Other Postemployment Benefits (OPEB)	68
I. Purchasing Laws	71

**CHESTER COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**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 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 available from other auditors in time for inclusion in this report; however, in our opinion, this omission is not material to the component units' opinion unit.

The Chester County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Chester

County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Chester County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

The government-wide financial statements (i.e., the Statement of Net 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, 2015.

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.

**Solid Waste/Sanitation Fund** – This special revenue fund accounts for transactions relating to the disposal of Chester County’s solid waste. Local taxes and general service charges are the foundational revenues of this 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 1.46 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</u>	
<u>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 and the governmental funds balance sheet. These items are for the deferred charge on refunding and for pension changes in experience and other deferrals, 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, 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, and landfill closure/postclosure care costs, 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, 2015, Chester County had \$100,000 in outstanding debt for capital purposes of the discretely presented Chester County School Department. This debt is a liability of Chester County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Chester County has incurred a liability significantly decreasing its unrestricted net 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.

## 8. Restatement

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a new pension liability in their Statement of Net Position. Therefore, a restatement to Chester County's and the Chester County School Department's beginning net position has been recognized in the Statement of Activities totaling (\$306,421) and (\$3,400,936), respectively.

## 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**

### **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.

## **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.

## 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, 2015, Chester County had the following investments carried at fair value. 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>
<b>Endowment Fund:</b>		
Vanguard 500 Index Fund	On Demand	\$ 117,519
Spartan International Index Fund	"	20,434
Vanguard Short-term Bond Index Fund	"	38,331
Vanguard Total Bond Fund	"	36,960
Vanguard Intermediate-term Corporate Bond Index Fund	"	24,992
CBT Prime-Based Money Market Fund	"	<u>12,288</u>
<b>Total</b>		<b><u>\$ 250,524</u></b>

**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, 2015, 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, 2015, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 2,888,275	\$ 37,929	\$ 0	\$ 2,926,204
Construction in Progress	0	167,506	0	167,506
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 2,888,275</b>	<b>\$ 205,435</b>	<b>\$ 0</b>	<b>\$ 3,093,710</b>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 14,441,685	\$ 99,963	\$ 0	\$ 14,541,648
Infrastructure	2,718,767	0	0	2,718,767
Other Capital Assets	5,241,606	586,395	84,677	5,743,324
<b>Total Capital Assets Depreciated</b>	<b>\$ 22,402,058</b>	<b>\$ 686,358</b>	<b>\$ 84,677</b>	<b>\$ 23,003,739</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,193,895	\$ 418,563	\$ 0	\$ 5,612,458
Infrastructure	939,699	146,934	0	1,086,633
Other Capital Assets	3,749,218	288,230	82,952	3,954,496
<b>Total Accumulated Depreciation</b>	<b>\$ 9,882,812</b>	<b>\$ 853,727</b>	<b>\$ 82,952</b>	<b>\$ 10,653,587</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 12,519,246</b>	<b>\$ (167,369)</b>	<b>\$ 1,725</b>	<b>\$ 12,350,152</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 15,407,521</b>	<b>\$ 38,066</b>	<b>\$ 1,725</b>	<b>\$ 15,443,862</b>

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

**Governmental Activities:**

General Government	\$	13,817
Finance		3,441
Administration of Justice		69,613
Public Safety		324,632
Public Health and Welfare		182,936
Social, Cultural, and Recreational Services		35,790
Agriculture and Natural Resources		1,376
Highways		<u>222,122</u>

Total Depreciation Expense - Governmental Activities \$ 853,727

**Discretely Presented Chester County School Department**

**Governmental Activities:**

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 501,552	\$ 0	\$ 0	\$ 501,552
Construction in Progress	130,000	0	130,000	0
Total Capital Assets Not Depreciated	<u>\$ 631,552</u>	<u>\$ 0</u>	<u>\$ 130,000</u>	<u>\$ 501,552</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 19,642,588	\$ 270,485	\$ 0	\$ 19,913,073
Other Capital Assets	5,235,714	126,816	0	5,362,530
Total Capital Assets Depreciated	<u>\$ 24,878,302</u>	<u>\$ 397,301</u>	<u>\$ 0</u>	<u>\$ 25,275,603</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 9,011,204	\$ 435,147	\$ 0	\$ 9,446,351
Other Capital Assets	3,642,235	327,560	0	3,969,795
Total Accumulated Depreciation	<u>\$ 12,653,439</u>	<u>\$ 762,707</u>	<u>\$ 0</u>	<u>\$ 13,416,146</u>
Total Capital Assets Depreciated, Net	<u>\$ 12,224,863</u>	<u>\$ (365,406)</u>	<u>\$ 0</u>	<u>\$ 11,859,457</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,856,415</u>	<u>\$ (365,406)</u>	<u>\$ 130,000</u>	<u>\$ 12,361,009</u>

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

**Governmental Activities:**

Instruction	\$	491,133
Support Services		189,025
Operation of Non-Instructional Services		<u>82,549</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$</b>	<b><u>762,707</u></b>

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

The composition of interfund balances as of June 30, 2015, was as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Primary Government:</b>		
General	Nonmajor governmental	\$ 1,338
<b>Discretely Presented School Department:</b>		
General Purpose School	Nonmajor governmental	6,164

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

The receivable in the General Purpose School Fund totaling \$6,164 was in transit from the School Federal Projects Fund at June 30, 2015.

**Due to/from Primary Government and Component Units:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Component Unit:</b>		
School Department: General Purpose School	Primary Government: Solid Waste/Sanitation	\$ 532

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2015, consisted of the following amounts:

**Primary Government**

Transfers Out	Transfers In	
	Solid Waste/ Sanitation Fund	Nonmajor Governmental Fund
General Fund	\$ 125,000	\$ 143,000

**Discretely Presented Chester County School Department**

Transfers Out	Transfers In	
	General Purpose School Fund	Nonmajor Governmental Fund
General Purpose School Fund	\$ 0	\$ 200,000
Nonmajor governmental fund	6,163	0
Total	\$ 6,163	\$ 200,000

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

**D. 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

and the capital outlay note outstanding were issued for original terms of up to 32 years for bonds and up to four years for the note. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and the note included in long-term debt as of June 30, 2015, will be retired from the Solid Waste/Sanitation, Highway/Public Works, General Debt Service, and Education Debt Service funds.

General obligation bonds and the capital outlay note outstanding as of June 30, 2015, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-15
General Obligation Bonds	2.75 to 5.5%	6-1-40	\$ 9,660,000	\$ 8,740,000
General Obligation Bonds - Refunding	2.75 to 5	5-1-23	1,095,000	540,000
Capital Outlay Note	5.5	1-12-16	200,343	32,063

The annual requirements to amortize all general obligation bonds and the note outstanding as of June 30, 2015, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 365,000	\$ 405,872	\$ 770,872
2017	240,000	391,271	631,271
2018	260,000	382,484	642,484
2019	280,000	370,108	650,108
2020	295,000	356,372	651,372
2021-2025	1,580,000	1,583,249	3,163,249
2026-2030	1,705,000	1,251,153	2,956,153
2031-2035	2,020,000	864,358	2,884,358
2036-2040	2,535,000	369,837	2,904,837
<b>Total</b>	<b>\$ 9,280,000</b>	<b>\$ 5,974,704</b>	<b>\$ 15,254,704</b>

Year Ending June 30	Note		
	Principal	Interest	Total
2016	\$ 32,063	\$ 601	\$ 32,664
<b>Total</b>	<b>\$ 32,063</b>	<b>\$ 601</b>	<b>\$ 32,664</b>

There is \$490,383 available in the debt service funds to service long-term debt. Debt per capita, including bonds and the note, totaled \$544 based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Bonds	Note	Compensated Absences
Balance, July 1, 2014	\$ 10,195,000	\$ 84,667	\$ 2,942
Additions	0	0	8,512
Reductions	(915,000)	(52,604)	(8,948)
Balance, June 30, 2015	<u>\$ 9,280,000</u>	<u>\$ 32,063</u>	<u>\$ 2,506</u>
Balance Due Within One Year	<u>\$ 365,000</u>	<u>\$ 32,063</u>	<u>\$ 2,506</u>

	Landfill Closure/ Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2014	\$ 156,699	\$ 99,524
Additions	2,409	14,103
Reductions	(1,293)	(6,087)
Balance, June 30, 2015	<u>\$ 157,815</u>	<u>\$ 107,540</u>
Balance Due Within One Year	<u>\$ 1,261</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 9,579,924
Less: Balance Due Within One Year	(400,830)
Add: Unamortized Premium on Debt	<u>53,003</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 9,232,097</u>



Compensated absences will be paid from the Highway/Public Works Fund. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund. Other postemployment benefits will be paid from the employing funds, primarily the General Fund.

**Discretely Presented Chester County School Department**

**Changes in Long-term Obligations**

Long-term obligations activity for the discretely presented Chester County School Department for the year ended June 30, 2015, was as follows:

Governmental Activities:	<u>Other Postemployment Benefits</u>
Balance, July 1, 2014	\$ 491,077
Additions	96,506
Reductions	<u>(64,675)</u>
Balance, June 30, 2015	<u>\$ 522,908</u>
Balance Due Within One Year	<u>\$ 0</u>

**E. Pledges of Future Revenues**

**Local Option Sales Tax Revenues Pledged**

In 1995, the citizens of Chester County voted to increase the local option sales tax rate from two and one-fourth to two and three-fourths percent. Chester County, the City of Henderson, and the Chester County School Department have pledged their additional sales tax collections generated from the one-half percent increase to repay \$7.5 million in general obligation bonds issued in June 1995 to finance the construction of new school buildings. The bonds are also guaranteed by the county in the event the additional sales tax revenues are insufficient to meet the debt service requirements on the bonds. Total principal and interest requirements for the bonds are \$104,000, payable semiannually through May 2016. For the current year, principal and interest paid and sales tax revenues generated by the increase were \$701,102 and \$686,764, respectively.

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

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

and the Medicare Supplement Plan for the year ended June 30, 2015, were \$49,328 and \$13,450, 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. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**C. 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.

**D. Changes in Administration**

Director of Schools Cherrie Pipkin retired on June 30, 2014, and was succeeded by Troy Kilzer II, effective July 1, 2014.

On August 31, 2014, Johnny Garner left the Office of County Clerk and was succeeded by Stacy Smith, and Eddie Bailey left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Justin Emerson.

**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 \$157,815 reported as postclosure care liability at June 30, 2015, represents 50 percent of the county's share based on what it would cost to perform all postclosure care in 2015. 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 comprise 40.39 percent and the non-certified employees of the discretely present School Department comprise 59.61 percent of the plan based on census 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 establishes 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 are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) 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, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	107
Inactive Employees Entitled to But Not Yet Receiving Benefits	180
Active Employees	255
 Total	 <hr style="width: 100%;"/> <u>542</u>

*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 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, employer contributions for Chester County were \$475,462 based on a rate of 7.33 percent of pensionable 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 actuarially determined contribution (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, 2014, 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, 2014, 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, 2014, 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 Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40 4.61	5 8
U.S. Fixed Income	0.98	29
Real Estate	4.73	7
Short-term Securities	0.00	1
<b>Total</b>		<b>100 %</b>

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 assumed 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 Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 16,095,377	\$ 14,853,064	\$ 1,242,313
Changes for the year:			
Service Cost	\$ 513,490	\$ 0	\$ 513,490
Interest	1,214,365	0	1,214,365
Differences Between Expected and Actual Experience	(152,533)	0	(152,533)
Contributions - Employer	0	483,656	(483,656)
Contributions - Employees	0	325,358	(325,358)
Net Investment Income	0	2,460,904	(2,460,904)
Benefit Payments, Including Refunds of Employee Contributions	(834,672)	(834,672)	0
Administrative Expense	0	(9,776)	9,776
Other Changes	0	0	0
Net Changes	\$ 740,650	\$ 2,425,470	\$ (1,684,820)
Balance, June 30, 2014	\$ 16,836,027	\$ 17,278,534	\$ (442,507)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	40.39%	\$ 6,800,071	\$ 6,978,800	\$ (178,729)
School Department	59.61%	10,035,956	10,299,734	(263,778)
Total		\$ 16,836,027	\$ 17,278,534	\$ (442,507)

*Sensitivity of the Net Position 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 were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:



	1% Decrease	Current Discount Rate	1% Increase
<u>Chester County</u>	6.5%	7.5%	8.5%
Net Pension Liability	\$ 1,746,646	\$ (442,507)	\$ (2,251,688)

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

*Pension Expense.* For the year ended June 30, 2015, Chester County recognized pension expense of \$4,549.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2015, 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
Differences Between Expected and Actual Experience	\$ 0	\$ 127,111
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,078,602
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>475,462</u>	<u>N/A</u>
Total	<u>\$ 475,462</u>	<u>\$ 1,205,713</u>

(1) The amount shown above for "Contributions Subsequent to the Measurement Date of June 30, 2014," 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	\$ 288,309	\$ 486,987
School Department	187,153	718,726
Total	\$ 475,462	\$ 1,205,713

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

Year Ending June 30	Amount
2016	\$ (295,073)
2017	(295,073)
2018	(295,073)
2019	(295,073)
2020	(25,422)
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 40.39 percent and the non-certified employees of the discretely present School Department comprise 59.61 percent of the plan based on census 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 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 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire 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. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's 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. 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. Teachers contribute five percent of salary. 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 for 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, 2015, to the Teacher Retirement Plan were \$8,259, which is four percent of pensionable 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.* Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is no net pension liability to report at June 30, 2015.

*Pension Expense.* Since the measurement date is June 30, 2014, the Chester County School Department did not recognize any pension expense at June 30, 2015.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2015, 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
	<hr/>	
LEA's Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 8,259	N/A

The Chester County School Department's employer contributions of \$8,259 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

## Teacher Legacy Pension Plan

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

*Plan Description.* Teachers with membership in the TCRS before July 1, 2014, of the Chester County School Department 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 establishes 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 automatic cost of living adjustments (COLAs) 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.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. 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, 2015, to the Teacher Legacy Pension Plan were \$829,441, which is 9.04 percent of pensionable 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 Assets.* At June 30, 2015, the Chester County School Department reported an asset of \$37,045 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, 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 employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, the Chester County School Department's proportion was .227974 percent. The proportion measured as of June 30, 2013, was .227467 percent.

*Pension Income.* For the year ended June 30, 2015, the Chester County School Department recognized a pension income of \$30,579.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2015, 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
Differences Between Expected and Actual Experience	\$ 89,936	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	3,052,251
Changes in proportion of Net Pension Liability (Asset)	7,149	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2014	829,441	N/A
<b>Total</b>	<b>\$ 926,526</b>	<b>\$ 3,052,251</b>

The Chester County School Department's employer contributions of \$829,441 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ (746,882)
2017	(746,882)
2018	(746,882)
2019	(746,882)
2020	16,181
Thereafter	16,181

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, 2014, 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, 2014, 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	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
<b>Total</b>		<b>100</b>

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 four 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 assumed 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 Position Liability (Asset) to Changes in the Discount Rate.* The following presents 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 Chester County School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) 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	\$ 6,248,014	\$ (37,045)	\$ (5,240,392)

*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/act/cafr.html>.

**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, 2015, Chester County and the discretely presented School Department contributed \$6,087 and \$64,675, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 96,000	\$ 14,000
Interest on the NOPEBO	19,643	3,981
Adjustment to the ARC	(19,137)	(3,878)
Annual OPEB cost	\$ 96,506	\$ 14,103
Less: Amount of contribution	(64,675)	(6,087)
Increase/decrease in NOPEBO	\$ 31,831	\$ 8,016
Net OPEB obligation. 7-1-14	491,077	99,524
Net OPEB obligation. 6-30-15	\$ 522,908	\$ 107,540

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-13	Local Education Group	\$ 184,101	40%	\$ 476,414
6-30-14	"	93,491	84	491,077
6-30-15	"	96,506	67	522,908
6-30-13	Local Government Group	22,832	17	87,011
6-30-14	"	14,089	11	99,524
6-30-15	"	14,103	43	107,540

### Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-13	7-1-13
Actuarial accrued liability (AAL)	\$ 894,000	\$ 97,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 894,000	\$ 97,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 12,522,514	\$ 3,731,242
UAAL as a % of covered payroll	7%	3%

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, 2013, actuarial valuation for the Local Government Plan and the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of seven percent for fiscal year 2015. The trend rate will decrease to 6.5 percent in 2016, and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. The annual health care cost trend rate for the Medicare Supplement Plan was six percent in fiscal year 2015 and then will be reduced by decrements to an ultimate rate of 4.2 percent by fiscal year 2044.

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.

**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

	<u>2014</u>
<b>Total Pension Liability (Asset)</b>	
Service Cost	\$ 513,490
Interest	1,214,365
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	(152,533)
Changes in Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	(834,672)
Net Change in Total Pension Liability (Asset)	<u>\$ 740,650</u>
Total Pension Liability (Asset), Beginning	<u>16,095,377</u>
Total Pension Liability (Asset), Ending (a)	<u>\$ 16,836,027</u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 483,656
Contributions - Employee	325,358
Net Investment Income	2,460,904
Benefit Payments, Including Refunds of Employee Contributions	(834,672)
Administrative Expense	(9,776)
Net Change in Plan Fiduciary Net Position	<u>\$ 2,425,470</u>
Plan Fiduciary Net Position, Beginning	<u>14,853,064</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 17,278,534</u>
Net Pension Liability (Asset), Ending (a - b)	<u>\$ (442,507)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	102.63%
Covered Employee Payroll	\$ 6,500,698
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	6.81%

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

	2014	2015
Actuarially Determined Contribution	\$ 483,656	\$ 475,462
Less Contributions in Relation to the Actuarially Determined Contribution	(483,656)	(475,462)
Contribution Deficiency (Excess)	\$ 0	\$ 0
Covered Employee Payroll	\$ 6,500,698	\$ 7,281,559
Contributions as a Percentage of Covered Employee Payroll	7.44%	6.53%

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>
Actuarially Determined Contribution	\$ 5,162
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(8,259)</u>
Contribution Deficiency (Excess)	<u>\$ (3,097)</u>
Covered Employee Payroll	\$ 206,475
Contributions as a Percentage of Covered Employee Payroll	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>
Actuarially Determined Contribution	\$ 794,579	\$ 829,441
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(794,579)</u>	<u>(829,441)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 8,947,960	\$ 9,970,154
Contributions as a Percentage of Covered Employee Payroll	8.88%	8.32%

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 Legacy Pension Plan of TCRS  
Discretely Presented Chester County School Department  
For the Fiscal Year Ended June 30 \*

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.227974%
School Department's Proportionate Share of the Net Pension Asset	\$ 37,045
Covered Employee Payroll	\$ 8,947,960
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

\* 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 Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented Chester County School Department  
June 30, 2015

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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	7-1-10	\$ 0	\$ 170	\$ 170	0 %	\$ 2,695	6 %
"	7-1-11	0	125	125	0	3,664	3
"	7-1-13	0	97	97	0	3,731	3
<u>DISCRETELY PRESENTED CHESTER COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-10	0	1,170	1,170	0	11,112	11
"	7-1-11	0	1,556	1,556	0	11,970	13
"	7-1-13	0	894	894	0	12,523	7

**CHESTER COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2015**

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM**

*Valuation Date:* Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013, 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.

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, 2015

	Special Revenue Funds				Debt Service Funds	
	Public Library	Drug Control	Constitutional Officers - Fees	Total	General Debt	Service
\$	0 \$	0 \$	1,338 \$	1,338 \$	0	0
	100,584	111,813	0	212,397	58,268	
	0	0	0	0	0	0
	164	0	0	164	0	0
	0	0	0	0	0	0
	0	0	0	0	37,205	
	0	0	0	0	(1,033)	
\$	100,748 \$	111,813 \$	1,338 \$	213,899 \$	94,440	

ASSETS

Cash	0
Equity in Pooled Cash and Investments	100,584
Investments	0
Accounts Receivable	164
Due from Other Governments	0
Property Taxes Receivable	0
Allowance for Uncollectible Property Taxes	0
Total Assets	100,748

LIABILITIES

Due to Other Funds	0
Total Liabilities	0
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Current Property Taxes	0
Deferred Delinquent Property Taxes	0
Other Deferred/Unavailable Revenue	0
Total Deferred Inflows of Resources	0

(Continued)



Exhibit F-1

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

	Special Revenue Funds				Debt Service Funds	
	Public Library	Drug Control	Constitutional Officers - Fees	Total	General Debt	Service
\$	0	0	0	0	0	0
Restricted for Public Safety	0	111,813	0	111,813	0	0
Restricted for Debt Service	0	0	0	0	43,562	0
Committed:						
Committed for Social, Cultural, and Recreational Services	100,748	0	0	100,748	0	0
Committed for Capital Outlay	0	0	0	0	0	0
Committed for Debt Service	0	0	0	0	14,838	0
Total Fund Balances	\$ 100,748	\$ 111,813	\$ 0	\$ 212,561	\$ 58,400	\$ 0
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 100,748	\$ 111,813	\$ 1,338	\$ 213,899	\$ 94,440	\$ 0

FUND BALANCES

Nonspendable:  
 Endowments  
 Restricted:  
 Restricted for Public Safety  
 Restricted for Debt Service  
 Committed:  
 Committed for Social, Cultural, and Recreational Services  
 Committed for Capital Outlay  
 Committed for Debt Service  
 Total Fund Balances  
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances

(Continued)

Exhibit F-1

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

	Debt Service Funds (Cont.)		Capital Projects Fund		Permanent Fund	Total Nonmajor Governmental Funds
	Education Debt Service	Total	General Capital Projects	Endowment		
\$	0 \$	0 \$	0 \$	0 \$	0 \$	1,338
	381,983	440,251	143,515	0	0	796,163
	0	0	0	250,524	0	250,524
	0	0	0	0	0	164
	100,000	100,000	0	0	0	100,000
	0	37,205	0	0	0	37,205
	0	(1,033)	0	0	0	(1,033)
\$	481,983 \$	576,423 \$	143,515 \$	250,524 \$	0 \$	1,184,361

ASSETS

Cash	
Equity in Pooled Cash and Investments	
Investments	
Accounts Receivable	
Due from Other Governments	
Property Taxes Receivable	
Allowance for Uncollectible Property Taxes	
Total Assets	

LIABILITIES

Due to Other Funds	
Total Liabilities	
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Current Property Taxes	
Deferred Delinquent Property Taxes	
Other Deferred/Unavailable Revenue	
Total Deferred Inflows of Resources	

(Continued)

Exhibit F-1

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

	Debt Service Funds (Cont.)		Capital Projects Fund		Permanent Fund	Total Nonmajor Governmental Funds
	Education Debt Service	Total	General Capital Projects	Endowment		
\$	0 \$	0 \$	0 \$	0 \$	250,524 \$	250,524
	0	0	0	0	0	111,813
431,983	475,545	0	0	0	0	475,545
0	0	0	0	0	0	100,748
0	0	0	143,515	0	0	143,515
0	14,838	0	0	0	0	14,838
<b>\$ 431,983 \$</b>	<b>490,383 \$</b>	<b>143,515 \$</b>	<b>250,524 \$</b>	<b>0</b>	<b>0</b>	<b>1,096,983</b>
<b>\$ 481,983 \$</b>	<b>576,423 \$</b>	<b>143,515 \$</b>	<b>250,524 \$</b>	<b>0</b>	<b>0</b>	<b>1,184,361</b>

FUND BALANCES

Nonspendable:  
 Endowments  
 Restricted:  
 Restricted for Public Safety  
 Restricted for Debt Service  
 Committed:  
 Committed for Social, Cultural, and Recreational Services  
 Committed for Capital Outlay  
 Committed for Debt Service  
 Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

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, 2015

	Special Revenue Funds				Total	Debt Service Funds
	Public Library	Drug Control	Constitutional Officers - Fees			
<b>Revenues</b>						
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 633,338
Fines, Forfeitures, and Penalties	0	14,482	0	14,482	0	0
Charges for Current Services	12,965	0	3,525	16,490	0	0
Other Local Revenues	2,371	6,044	0	8,415	0	0
State of Tennessee	75,586	0	0	75,586	2,503	0
Other Governments and Citizens Groups	9,929	0	0	9,929	0	0
<b>Total Revenues</b>	<b>\$ 100,851</b>	<b>\$ 20,526</b>	<b>\$ 3,525</b>	<b>\$ 124,902</b>	<b>\$ 635,841</b>	
<b>Expenditures</b>						
Current:						
Administration of Justice	\$ 0	\$ 0	\$ 3,525	\$ 3,525	\$ 0	\$ 0
Public Safety	0	39,137	0	39,137	0	0
Social, Cultural, and Recreational Services	79,690	0	0	79,690	0	0
Other Operations	750	119	0	869	0	0
Debt Service:						
Principal on Debt	0	0	0	0	210,000	0
Interest on Debt	0	0	0	0	408,896	0
Other Debt Service	0	0	0	0	7,997	0
Capital Projects	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>\$ 80,440</b>	<b>\$ 39,256</b>	<b>\$ 3,525</b>	<b>\$ 123,221</b>	<b>\$ 626,893</b>	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 20,411</b>	<b>\$ (18,730)</b>	<b>\$ 0</b>	<b>\$ 1,681</b>	<b>\$ 8,948</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				Total	Debt Service Funds
	Public Library	Drug Control	Constitutional Officers - Fees	General Debt Service		
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0
Total Other Financing Sources (Uses)	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0
Net Change in Fund Balances	\$ 20,411 \$	(18,730) \$	0 \$	1,681 \$	8,948	
Fund Balance, July 1, 2014	80,337	130,543	0	210,880	49,452	
Fund Balance, June 30, 2015	\$ 100,748 \$	111,813 \$	0 \$	212,561 \$	58,400	

Exhibit F-2

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

	Debt Service Funds (Cont.)				Total	Capital Projects Fund		Permanent Fund	Total Nonmajor Governmental Funds
	Education Debt Service					General Capital Projects	Endowment		
<u>Revenues</u>									
Local Taxes	\$ 686,764	\$ 1,320,102	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,320,102
Fines, Forfeitures, and Penalties	0	0	0	0	0	0	0	0	14,482
Charges for Current Services	0	0	0	0	0	0	0	0	16,490
Other Local Revenues	0	0	0	0	0	0	5,506	0	13,921
State of Tennessee	0	2,503	0	0	0	0	0	0	78,089
Other Governments and Citizens Groups	0	0	0	0	0	0	0	0	9,929
Total Revenues	\$ 686,764	\$ 1,322,605	\$ 0	\$ 0	\$ 5,506	\$ 0	\$ 0	\$ 0	\$ 1,453,013
<u>Expenditures</u>									
Current:									
Administration of Justice	0	0	0	0	0	0	0	0	3,525
Public Safety	0	0	0	0	0	0	0	0	39,137
Social, Cultural, and Recreational Services	0	0	0	0	0	0	0	0	79,690
Other Operations	0	0	0	0	0	0	0	0	869
Debt Service:									
Principal on Debt	675,000	885,000	0	0	0	0	0	0	885,000
Interest on Debt	26,102	434,998	0	0	0	0	0	0	434,998
Other Debt Service	7,406	15,403	0	0	0	0	0	0	15,403
Capital Projects	0	0	167,506	0	0	0	0	0	167,506
Total Expenditures	\$ 708,508	\$ 1,335,401	\$ 167,506	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,626,128
Excess (Deficiency) of Revenues Over Expenditures	\$ (21,744)	\$ (12,796)	\$ (167,506)	\$ 5,506	\$ (173,115)	\$ 0	\$ 0	\$ 0	\$ (173,115)

(Continued)

Exhibit F-2

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

	Debt Service Funds (Cont.)			Capital Projects Fund		Permanent Fund	Total Nonmajor Governmental Funds
	Education Debt Service	Total	General Capital Projects	Endowment			
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0 \$	0 \$	143,000 \$	0 \$	0 \$	143,000	
Total Other Financing Sources (Uses)	\$ 0 \$	0 \$	143,000 \$	0 \$	0 \$	143,000	
Net Change in Fund Balances	\$ (21,744) \$	(12,796) \$	(24,506) \$	5,506 \$	(30,115)		
Fund Balance, July 1, 2014	453,727	503,179	168,021	245,018	1,127,098		
Fund Balance, June 30, 2015	\$ 431,983 \$	490,383 \$	143,515 \$	250,524 \$	1,096,983		

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<b><u>Revenues</u></b>				
Local Taxes	\$ 0	\$ 75,000	\$ 75,000	\$ (75,000)
Charges for Current Services	12,965	12,000	12,000	965
Other Local Revenues	2,371	10,000	10,000	(7,629)
State of Tennessee	75,586	0	0	75,586
Other Governments and Citizens Groups	9,929	1,100	1,100	8,829
<b>Total Revenues</b>	<b>\$ 100,851</b>	<b>\$ 98,100</b>	<b>\$ 98,100</b>	<b>\$ 2,751</b>
<b><u>Expenditures</u></b>				
<b><u>Social, Cultural, and Recreational Services</u></b>				
Libraries	\$ 79,690	\$ 85,342	\$ 84,542	\$ 4,852
<b><u>Other Operations</u></b>				
Miscellaneous	750	0	800	50
<b>Total Expenditures</b>	<b>\$ 80,440</b>	<b>\$ 85,342</b>	<b>\$ 85,342</b>	<b>\$ 4,902</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 20,411</b>	<b>\$ 12,758</b>	<b>\$ 12,758</b>	<b>\$ 7,653</b>
<b>Net Change in Fund Balance</b>	<b>\$ 20,411</b>	<b>\$ 12,758</b>	<b>\$ 12,758</b>	<b>\$ 7,653</b>
<b>Fund Balance, July 1, 2014</b>	<b>80,337</b>	<b>305,967</b>	<b>55,443</b>	<b>24,894</b>
<b>Fund Balance, June 30, 2015</b>	<b>\$ 100,748</b>	<b>\$ 318,725</b>	<b>\$ 68,201</b>	<b>\$ 32,547</b>



Exhibit F-4

Chester County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<b>Revenues</b>				
Fines, Forfeitures, and Penalties	\$ 14.482	\$ 13.100	\$ 13.100	\$ 1,382
Other Local Revenues	6,044	1,000	1,000	5,044
<b>Total Revenues</b>	<b>\$ 20,526</b>	<b>\$ 14,100</b>	<b>\$ 14,100</b>	<b>\$ 6,426</b>
<b>Expenditures</b>				
<b>Public Safety</b>				
Drug Enforcement	\$ 39,137	\$ 68,325	\$ 68,325	\$ 29,188
<b>Other Operations</b>				
Miscellaneous	119	500	500	381
<b>Total Expenditures</b>	<b>\$ 39,256</b>	<b>\$ 68,825</b>	<b>\$ 68,825</b>	<b>\$ 29,569</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (18,730)	\$ (54,725)	\$ (54,725)	\$ 35,995
Net Change in Fund Balance	\$ (18,730)	\$ (54,725)	\$ (54,725)	\$ 35,995
Fund Balance, July 1, 2014	130,543	119,621	119,621	10,922
<b>Fund Balance, June 30, 2015</b>	<b>\$ 111,813</b>	<b>\$ 64,896</b>	<b>\$ 64,896</b>	<b>\$ 46,917</b>

Exhibit F-5

Chester County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 633,338	\$ 624,908	\$ 624,908	\$ 8,430
State of Tennessee	2,503	0	0	2,503
<b>Total Revenues</b>	<b>\$ 635,841</b>	<b>\$ 624,908</b>	<b>\$ 624,908</b>	<b>\$ 10,933</b>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 210,000	\$ 210,000	\$ 210,000	\$ 0
<u>Interest on Debt</u>				
General Government	408,896	408,897	408,897	1
<u>Other Debt Service</u>				
General Government	7,997	8,300	8,300	303
<b>Total Expenditures</b>	<b>\$ 626,893</b>	<b>\$ 627,197</b>	<b>\$ 627,197</b>	<b>\$ 304</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 8,948</b>	<b>\$ (2,289)</b>	<b>\$ (2,289)</b>	<b>\$ 11,237</b>
<b>Net Change in Fund Balance</b>	<b>\$ 8,948</b>	<b>\$ (2,289)</b>	<b>\$ (2,289)</b>	<b>\$ 11,237</b>
Fund Balance, July 1, 2014	49,452	49,692	49,692	(240)
<b>Fund Balance, June 30, 2015</b>	<b>\$ 58,400</b>	<b>\$ 47,403</b>	<b>\$ 47,403</b>	<b>\$ 10,997</b>

Exhibit F-6

Chester County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Education Debt Service Fund  
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<b>Revenues</b>				
Local Taxes	\$ 686.764	\$ 650.000	\$ 650.000	\$ 36.764
Other Governments and Citizens Groups	0	50.000	50.000	(50.000)
<b>Total Revenues</b>	<b>\$ 686.764</b>	<b>\$ 700.000</b>	<b>\$ 700.000</b>	<b>\$ (13.236)</b>
<b>Expenditures</b>				
<u>Principal on Debt</u>				
Education	\$ 675.000	\$ 675.000	\$ 675.000	0
<u>Interest on Debt</u>				
Education	26.102	26.457	26.457	355
<u>Other Debt Service</u>				
Education	7.406	10.000	10.000	2.594
<b>Total Expenditures</b>	<b>\$ 708.508</b>	<b>\$ 711.457</b>	<b>\$ 711.457</b>	<b>\$ 2.949</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (21.744)</b>	<b>\$ (11.457)</b>	<b>\$ (11.457)</b>	<b>\$ (10.287)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (21.744)</b>	<b>\$ (11.457)</b>	<b>\$ (11.457)</b>	<b>\$ (10.287)</b>
Fund Balance, July 1, 2014	453.727	431.108	431.108	22.619
<b>Fund Balance, June 30, 2015</b>	<b>\$ 431.983</b>	<b>\$ 419.651</b>	<b>\$ 419.651</b>	<b>\$ 12.332</b>

# 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, 2015

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<b><u>ASSETS</u></b>			
Cash	\$ 0	\$ 538,229	\$ 538,229
Due from Other Governments	139,998	0	139,998
<b>Total Assets</b>	<b>\$ 139,998</b>	<b>\$ 538,229</b>	<b>\$ 678,227</b>
<b><u>LIABILITIES</u></b>			
Due to Other Taxing Units	\$ 139,998	\$ 0	\$ 139,998
Due to Litigants, Heirs, and Others	0	538,229	538,229
<b>Total Liabilities</b>	<b>\$ 139,998</b>	<b>\$ 538,229</b>	<b>\$ 678,227</b>

Exhibit G-2

Chester County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<b><u>Cities - Sales Tax Fund</u></b>				
<b><u>Assets</u></b>				
Equity in Pooled Cash and Investments	\$ 0	\$ 827,451	\$ 827,451	\$ 0
Due from Other Governments	135,700	139,998	135,700	139,998
<b>Total Assets</b>	<b>\$ 135,700</b>	<b>\$ 967,449</b>	<b>\$ 963,151</b>	<b>\$ 139,998</b>
<b><u>Liabilities</u></b>				
Due to Other Taxing Units	\$ 135,700	\$ 967,449	\$ 963,151	\$ 139,998
<b>Total Liabilities</b>	<b>\$ 135,700</b>	<b>\$ 967,449</b>	<b>\$ 963,151</b>	<b>\$ 139,998</b>
<b><u>Constitutional Officers - Agency Fund</u></b>				
<b><u>Assets</u></b>				
Cash	\$ 291,678	\$ 3,386,415	\$ 3,139,864	\$ 538,229
<b>Total Assets</b>	<b>\$ 291,678</b>	<b>\$ 3,386,415</b>	<b>\$ 3,139,864</b>	<b>\$ 538,229</b>
<b><u>Liabilities</u></b>				
Due to Litigants, Heirs, and Others	\$ 291,678	\$ 3,386,415	\$ 3,139,864	\$ 538,229
<b>Total Liabilities</b>	<b>\$ 291,678</b>	<b>\$ 3,386,415</b>	<b>\$ 3,139,864</b>	<b>\$ 538,229</b>
<b><u>Total - All Agency Funds</u></b>				
<b><u>Assets</u></b>				
Cash	\$ 291,678	\$ 3,386,415	\$ 3,139,864	\$ 538,229
Equity in Pooled Cash and Investments	0	827,451	827,451	0
Due from Other Governments	135,700	139,998	135,700	139,998
<b>Total Assets</b>	<b>\$ 427,378</b>	<b>\$ 4,353,864</b>	<b>\$ 4,103,015</b>	<b>\$ 678,227</b>
<b><u>Liabilities</u></b>				
Due to Other Taxing Units	\$ 135,700	\$ 967,449	\$ 963,151	\$ 139,998
Due to Litigants, Heirs, and Others	291,678	3,386,415	3,139,864	538,229
<b>Total Liabilities</b>	<b>\$ 427,378</b>	<b>\$ 4,353,864</b>	<b>\$ 4,103,015</b>	<b>\$ 678,227</b>

# 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, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 11,799,049	\$ 27,616	\$ 1,130,721	\$ (10,640,712)
Support Services	6,084,821	29,733	375,279	(5,679,809)
Operation of Non-instructional Services	2,113,944	375,462	1,434,329	(304,153)
<b>Total Governmental Activities</b>	<b>\$ 19,997,814</b>	<b>\$ 432,811</b>	<b>\$ 2,940,329</b>	<b>\$ (16,624,674)</b>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes			\$ 1,852,406	
Local Option Sales Taxes			755,709	
Other Local Taxes			1,205	
Grants and Contributions Not Restricted to Specific Programs			15,524,589	
Unrestricted Investment Income			37,319	
Miscellaneous			81,319	
Pension Income			30,579	
<b>Total General Revenues</b>			<b>\$ 18,283,126</b>	
<b>Change in Net Position</b>				<b>\$ 1,658,452</b>
<b>Net Position, July 1, 2014</b>				<b>16,684,870</b>
<b>Restatement - Pension Liability (see Note I.D.8)</b>				<b>(3,400,936)</b>
<b>Net Position, June 30, 2015</b>				<b>\$ 14,942,386</b>



Exhibit H-2

Chester County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Chester County School Department  
June 30, 2015

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
	<u>General</u>	<u>Other</u>	<u>Governmental</u>
	<u>Purpose</u>	<u>Governmental</u>	<u>Funds</u>
	<u>School</u>	<u>Funds</u>	<u>Funds</u>
<b><u>ASSETS</u></b>			
Equity in Pooled Cash and Investments	\$ 4,251,352	\$ 806,417	\$ 5,057,769
Accounts Receivable	8,120	0	8,120
Due from Other Governments	215,439	139,569	355,008
Due from Other Funds	6,164	0	6,164
Due from Primary Government	532	0	532
Property Taxes Receivable	1,799,200	0	1,799,200
Allowance for Uncollectible Property Taxes	(49,961)	0	(49,961)
<b>Total Assets</b>	<b>\$ 6,230,846</b>	<b>\$ 945,986</b>	<b>\$ 7,176,832</b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 47,931	\$ 0	\$ 47,931
Payroll Deductions Payable	123	155	278
<b>Total Liabilities</b>	<b>\$ 48,054</b>	<b>\$ 155</b>	<b>\$ 48,209</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred Current Property Taxes	\$ 1,676,122	\$ 0	\$ 1,676,122
Deferred Delinquent Property Taxes	66,736	0	66,736
Other Deferred/Unavailable Revenue	62,000	0	62,000
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,804,858</b>	<b>\$ 0</b>	<b>\$ 1,804,858</b>
<b><u>FUND BALANCES</u></b>			
Restricted:			
Restricted for Education	\$ 5,951	\$ 28,445	\$ 34,396
Restricted for Operation of Non-instructional Services	0	332,376	332,376
Restricted for Capital Outlay	0	385,010	385,010
Assigned:			
Assigned for Education	33,366	200,000	233,366
Unassigned	4,338,617	0	4,338,617
<b>Total Fund Balances</b>	<b>\$ 4,377,934</b>	<b>\$ 945,831</b>	<b>\$ 5,323,765</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 6,230,846</b>	<b>\$ 945,986</b>	<b>\$ 7,176,832</b>

**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, 2015

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)	\$	5,323,765	
(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		10,466,722	
Add: other capital assets net of accumulated depreciation		<u>1,392,735</u>	12,361,009
(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			(522,908)
(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	\$	1,121,938	
Less: deferred inflows of resources related to pensions		<u>(3,770,977)</u>	(2,649,039)
(4) Net pension assets are not current financial resources and are therefore not reported in the governmental funds.			
Add: net pension asset - agent plan	\$	263,778	
Add: net pension asset - cost-sharing plan		<u>37,045</u>	300,823
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>128,736</u>
Net position of governmental activities (Exhibit A)	\$		<u>14,942,386</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, 2015

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Governmental Funds
<b>Revenues</b>			
Local Taxes	\$ 2,592,081	\$ 0	\$ 2,592,081
Licenses and Permits	988	0	988
Charges for Current Services	46,301	362,508	408,809
Other Local Revenues	97,519	45,621	143,140
State of Tennessee	15,289,631	15,574	15,305,205
Federal Government	2,576	3,155,649	3,158,225
<b>Total Revenues</b>	<b>\$ 18,029,096</b>	<b>\$ 3,579,352</b>	<b>\$ 21,608,448</b>
<b>Expenditures</b>			
Current:			
Instruction	\$ 10,515,139	\$ 1,464,427	\$ 11,979,566
Support Services	6,001,853	284,507	6,286,360
Operation of Non-instructional Services	206,960	1,868,373	2,075,333
Capital Outlay	179,974	0	179,974
<b>Total Expenditures</b>	<b>\$ 16,903,926</b>	<b>\$ 3,617,307</b>	<b>\$ 20,521,233</b>
<b>Excess (Deficiency) of Revenues</b> <b>Over Expenditures</b>	<b>\$ 1,125,170</b>	<b>\$ (37,955)</b>	<b>\$ 1,087,215</b>
<b>Other Financing Sources (Uses)</b>			
Insurance Recovery	\$ 28,515	\$ 0	\$ 28,515
Transfers In	6,163	200,000	206,163
Transfers Out	(200,000)	(6,163)	(206,163)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (165,322)</b>	<b>\$ 193,837</b>	<b>\$ 28,515</b>
<b>Net Change in Fund Balances</b>	<b>\$ 959,848</b>	<b>\$ 155,882</b>	<b>\$ 1,115,730</b>
<b>Fund Balance, July 1, 2014</b>	<b>3,418,086</b>	<b>789,949</b>	<b>4,208,035</b>
<b>Fund Balance, June 30, 2015</b>	<b>\$ 4,377,934</b>	<b>\$ 945,831</b>	<b>\$ 5,323,765</b>

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, 2015

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)		\$ 1,115,730	
(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	\$	267,301	
Less: current-year depreciation expense		<u>(762,707)</u>	(495,406)
(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, 2015	\$	128,736	
Less: deferred delinquent property taxes and other deferred June 30, 2014		<u>(111,497)</u>	17,239
(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	\$	(31,831)	
Change in deferred outflows related to pensions		1,121,938	
Change in deferred inflows related to pensions		(3,770,977)	
Change in net pension asset - agent plan		716,014	
Change in net pension asset - cost-sharing plan		<u>2,985,745</u>	<u>1,020,889</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ 1,658,452</u>

Exhibit H-6

Chester County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Chester County School Department  
June 30, 2015

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects		
Equity in Pooled Cash and Investments	\$ 219,896	\$ 201,511	\$ 421,407	\$ 385,010	\$	\$ 806,417
Due from Other Governments	8,696	130,873	139,569	0		139,569
<b>Total Assets</b>	<b>\$ 228,592</b>	<b>\$ 332,384</b>	<b>\$ 560,976</b>	<b>\$ 385,010</b>	<b>\$</b>	<b>\$ 945,986</b>
<b>LIABILITIES</b>						
Payroll Deductions Payable	\$ 147	\$ 8	\$ 155	\$ 0	\$	\$ 155
Total Liabilities	\$ 147	\$ 8	\$ 155	\$ 0	\$	\$ 155
<b>FUND BALANCES</b>						
Restricted:						
Restricted for Education	\$ 28,445	\$ 0	\$ 28,445	\$ 0	\$	\$ 28,445
Restricted for Operation of Non-instructional Services	0	332,376	332,376	0		332,376
Restricted for Capital Outlay	0	0	0	385,010		385,010
Assigned:						
Assigned for Education	200,000	0	200,000	0		200,000
Total Fund Balances	\$ 228,445	\$ 332,376	\$ 560,821	\$ 385,010	\$	\$ 945,831
Total Liabilities and Fund Balances	\$ 228,592	\$ 332,384	\$ 560,976	\$ 385,010	\$	\$ 945,986

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, 2015

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects		
<u>Revenues</u>						
Charges for Current Services	\$ 0	\$ 362,508	\$ 362,508	\$ 0	\$ 0	\$ 362,508
Other Local Revenues	0	45,621	45,621	0	0	45,621
State of Tennessee	0	15,574	15,574	0	0	15,574
Federal Government	1,736,894	1,418,755	3,155,649	0	0	3,155,649
Total Revenues	\$ 1,736,894	\$ 1,842,458	\$ 3,579,352	\$ 0	\$ 0	\$ 3,579,352
<u>Expenditures</u>						
Current:						
Instruction	\$ 1,464,427	\$ 0	\$ 1,464,427	\$ 0	\$ 0	\$ 1,464,427
Support Services	284,507	0	284,507	0	0	284,507
Operation of Non-instructional Services	0	1,868,373	1,868,373	0	0	1,868,373
Total Expenditures	\$ 1,748,934	\$ 1,868,373	\$ 3,617,307	\$ 0	\$ 0	\$ 3,617,307
Excess (Deficiency) of Revenues Over Expenditures	\$ (12,040)	\$ (25,915)	\$ (37,955)	\$ 0	\$ 0	\$ (37,955)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 200,000	\$ 0	\$ 200,000	\$ 0	\$ 0	\$ 200,000
Transfers Out	(6,163)	0	(6,163)	0	0	(6,163)
Total Other Financing Sources (Uses)	\$ 193,837	\$ 0	\$ 193,837	\$ 0	\$ 0	\$ 193,837
Net Change in Fund Balances Fund Balance, July 1, 2014	\$ 181,797	\$ (25,915)	\$ 155,882	\$ 0	\$ 0	\$ 155,882
	46,648	358,291	404,939	385,010		789,949
Fund Balance, June 30, 2015	\$ 228,445	\$ 332,376	\$ 560,821	\$ 385,010	\$ 0	\$ 945,831

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, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Local Taxes	\$ 2,592,081	\$ 0	\$ 0	\$ 2,592,081	\$ 2,600,200	\$ 2,600,200	\$ (8,119)
Licenses and Permits	988	0	0	988	1,000	1,000	(12)
Charges for Current Services	46,301	0	0	46,301	49,500	53,106	(6,805)
Other Local Revenues	97,519	0	0	97,519	70,500	87,167	10,352
State of Tennessee	15,289,631	0	0	15,289,631	14,971,000	15,205,000	84,631
Federal Government	2,576	0	0	2,576	10,000	12,576	(10,000)
<b>Total Revenues</b>	<b>\$ 18,029,096</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 18,029,096</b>	<b>\$ 17,702,200</b>	<b>\$ 17,959,049</b>	<b>\$ 70,047</b>
<b>Expenditures</b>							
<b>Instruction</b>							
Regular Instruction Program	\$ 8,844,389	\$ 0	\$ 7,525	\$ 8,851,914	\$ 9,036,000	\$ 9,236,528	\$ 384,614
Special Education Program	1,119,152	0	569	1,119,721	1,155,700	1,164,776	45,055
Vocational Education Program	493,558	0	0	493,558	566,300	566,300	72,742
Student Body Education Program	58,040	0	0	58,040	67,180	71,472	13,432
<b>Support Services</b>							
Attendance	62,815	0	0	62,815	67,870	67,870	5,055
Health Services	177,410	0	95	177,505	195,598	195,120	17,615
Other Student Support	357,161	0	0	357,161	376,150	376,150	18,989
Regular Instruction Program	686,176	(103,814)	0	582,362	648,560	648,560	66,198
Special Education Program	203,557	0	0	203,557	229,225	229,225	25,668
Vocational Education Program	1,355	0	0	1,355	2,000	2,000	645
Adult Programs	29,611	0	0	29,611	29,612	29,612	1
Other Programs	62,778	0	0	62,778	0	62,778	0
Board of Education	397,511	0	0	397,511	400,575	430,575	33,064
Director of Schools	171,691	0	850	172,541	187,660	187,660	15,119
Office of the Principal	1,191,078	0	0	1,191,078	1,256,050	1,248,050	56,972
Fiscal Services	114,366	0	59	114,425	109,750	117,750	3,325
Operation of Plant	1,264,015	0	0	1,264,015	1,495,100	1,495,100	231,086
Maintenance of Plant	423,680	(7,770)	0	415,910	480,900	497,567	81,657
Transportation	858,649	0	4,783	863,432	961,048	984,563	121,131

(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 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Operation of Non-instructional Services</u>							
Community Services	\$ 9,235	\$ 0	\$ 0	\$ 9,235	\$ 15,350	\$ 15,350	\$ 6,115
Early Childhood Education	197,725	0	0	197,725	208,399	209,023	11,298
<u>Capital Outlay</u>							
Regular Capital Outlay	179,974	(130,000)	19,485	69,459	135,000	135,000	65,541
<u>Principal on Debt</u>							
Education	0	0	0	0	44,000	44,000	44,000
Interest on Debt	0	0	0	0	6,000	6,000	6,000
Education	0	0	0	0	6,000	6,000	6,000
Total Expenditures	\$ 16,903,926	\$ (241,584)	\$ 33,366	\$ 16,695,708	\$ 17,674,027	\$ 18,021,029	\$ 1,325,321
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,125,170	\$ 241,584	\$ (33,366)	\$ 1,333,388	\$ 28,173	\$ (61,980)	\$ 1,395,368
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 28,515	\$ 0	\$ 0	\$ 28,515	\$ 5,000	\$ 28,515	\$ 0
Transfers In	6,163	0	0	6,163	10,000	10,000	(3,837)
Transfers Out	(200,000)	0	0	(200,000)	0	(200,000)	0
Total Other Financing Sources	\$ (165,322)	\$ 0	\$ 0	\$ (165,322)	\$ 15,000	\$ (161,485)	\$ (3,837)
Net Change in Fund Balance Fund Balance, July 1, 2014	\$ 959,848	\$ 241,584	\$ (33,366)	\$ 1,168,066	\$ 43,173	\$ (223,465)	\$ 1,391,631
Fund Balance, June 30, 2015	3,418,086	(241,584)	0	3,176,502	3,418,086	3,418,086	(241,584)
Fund Balance, June 30, 2015	\$ 4,377,934	\$ 0	\$ (33,366)	\$ 4,344,568	\$ 3,461,259	\$ 3,194,621	\$ 1,149,947



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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<b>Revenues</b>				
Federal Government	\$ 1,736.894	\$ 1,988.032	\$ 2,237.462	\$ (500.568)
<b>Total Revenues</b>	<b>\$ 1,736.894</b>	<b>\$ 1,988.032</b>	<b>\$ 2,237.462</b>	<b>\$ (500.568)</b>
<b>Expenditures</b>				
<u>Instruction</u>				
Regular Instruction Program	\$ 940.917	\$ 1,172.656	\$ 1,281.268	\$ 340.351
Special Education Program	497.512	445.930	564.899	67.387
Vocational Education Program	25.998	25.060	26.020	22
<u>Support Services</u>				
Health Services	1,151	1,151	1,151	0
Other Student Support	14,315	19,611	20,836	6,521
Regular Instruction Program	232,741	286,100	316,687	83,946
Special Education Program	605	2,077	30,000	29,395
Vocational Education Program	1,797	2,013	2,064	267
Transportation	33,898	40,766	34,751	853
<b>Total Expenditures</b>	<b>\$ 1,748,934</b>	<b>\$ 1,995,364</b>	<b>\$ 2,277,676</b>	<b>\$ 528,742</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (12,040)</b>	<b>\$ (7,332)</b>	<b>\$ (40,214)</b>	<b>\$ 28,174</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	\$ 200,000	\$ 0	\$ 200,000	\$ 0
Transfers Out	(6,163)	(49)	(6,163)	0
<b>Total Other Financing Sources</b>	<b>\$ 193,837</b>	<b>\$ (49)</b>	<b>\$ 193,837</b>	<b>\$ 0</b>
<b>Net Change in Fund Balance</b>	<b>\$ 181,797</b>	<b>\$ (7,381)</b>	<b>\$ 153,623</b>	<b>\$ 28,174</b>
Fund Balance, July 1, 2014	46,648	7,381	7,381	39,267
<b>Fund Balance, June 30, 2015</b>	<b>\$ 228,445</b>	<b>\$ 0</b>	<b>\$ 161,004</b>	<b>\$ 67,441</b>

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, 2015

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>Revenues</b>						
Charges for Current Services	\$ 362,508 \$	0 \$	362,508 \$	442,000 \$	442,000 \$	(79,492)
Other Local Revenues	45,621	0	45,621	50,300	50,300	(4,679)
State of Tennessee	15,574	0	15,574	15,200	15,200	374
Federal Government	1,418,755	0	1,418,755	1,495,000	1,495,000	(76,245)
Total Revenues	\$ 1,842,458 \$	0 \$	1,842,458 \$	2,002,500 \$	2,002,500 \$	(160,042)
<b>Expenditures</b>						
<u>Operation of Non-instructional Services</u>						
Food Service	\$ 1,868,373 \$	37,284 \$	1,905,657 \$	2,159,450 \$	2,159,450 \$	253,793
Total Expenditures	\$ 1,868,373 \$	37,284 \$	1,905,657 \$	2,159,450 \$	2,159,450 \$	253,793
Excess (Deficiency) of Revenues Over Expenditures	\$ (25,915) \$	(37,284) \$	(63,199) \$	(156,950) \$	(156,950) \$	93,751
Net Change in Fund Balance Fund Balance, July 1, 2014	\$ (25,915) \$	(37,284) \$	(63,199) \$	(156,950) \$	(156,950) \$	93,751
	358,291	0	358,291	299,912	299,912	58,379
Fund Balance, June 30, 2015	\$ 332,376 \$	(37,284) \$	295,092 \$	142,962 \$	142,962 \$	152,130

Exhibit H-11

Chester County, Tennessee  
Statement of Fiduciary Net Position  
Discretely Presented Chester County School Department  
Fiduciary Fund  
June 30, 2015

	Other Trust Fund
	<u>Private Purpose Trust Fund</u>
<b><u>ASSETS</u></b>	
Equity in Pooled Cash and Investments	\$ 147,620
Total Assets	<u>\$ 147,620</u>
<b><u>NET POSITION</u></b>	
Funds Held in Trust for College Scholarships for Chester County Students	\$ 147,620
Total Net Position	<u>\$ 147,620</u>

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, 2015

	<u>Other Trust Fund</u> <u>Private Purpose Trust Fund</u>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 1,012
Contributions and Gifts	<u>5,000</u>
Total Additions	<u>\$ 6,012</u>
<u>DEDUCTIONS</u>	
<u>Miscellaneous</u>	
Other Charges	\$ 4,200
Total Deductions	<u>\$ 4,200</u>
Change in Net Position	\$ 1,812
Net Position, July 1, 2014	<u>145,808</u>
Net Position, June 30, 2015	<u><u>\$ 147,620</u></u>

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# MISCELLANEOUS SCHEDULES

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Exhibit I-1

Chester County, Tennessee  
Schedule of Changes in Long-term Note and Bonds  
For the Year Ended June 30, 2015

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Paid and/or Matured During Period	Outstanding 6-30-15
<b>NOTE PAYABLE</b>							
<u>Payable through Highway/Public Works Fund</u>							
Excavator	\$ 200,343	5.5%	1-12-12	1-12-16	\$ 84,667	\$ 52,604	\$ 32,063
Total Note Payable					\$ 84,667	\$ 52,604	\$ 32,063
<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	\$ 55,000	\$ 30,000	\$ 25,000
Total Payable through Solid Waste/Sanitation Fund					\$ 55,000	\$ 30,000	\$ 25,000
<u>Payable through General Debt Service Fund</u>							
Jail and Vo-Tech School	9,300,000	3 to 5.5	6-30-08	6-1-40	\$ 8,610,000	\$ 150,000	\$ 8,460,000
Refunding Bonds, Series 2011	575,000	2.75 to 5	3-15-11	5-1-23	455,000	40,000	415,000
General Obligation Bonds, Series 2011	360,000	2.75 to 5	3-15-11	5-1-28	300,000	20,000	280,000
Total Payable through General Debt Service Fund					\$ 9,365,000	\$ 210,000	\$ 9,155,000
<u>Payable through Education Debt Service Fund</u>							
School Refunding Bond, Series 2008	3,695,000	3.23	9-30-08	4-1-15	\$ 590,000	\$ 590,000	\$ 0
School Refunding Bonds, Series 2011	380,000	4 to 5	3-15-11	5-1-16	185,000	85,000	100,000
Total Payable through Education Debt Service Fund					\$ 775,000	\$ 675,000	\$ 100,000
Total Bonds Payable					\$ 10,195,000	\$ 915,000	\$ 9,280,000

Exhibit I-2

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

Year Ending June 30	Note		
	Principal	Interest	Total
2016	\$ 32,063	\$ 601	\$ 32,664
<b>Total</b>	<b>\$ 32,063</b>	<b>\$ 601</b>	<b>\$ 32,664</b>

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 365,000	\$ 405,872	\$ 770,872
2017	240,000	391,271	631,271
2018	260,000	382,484	642,484
2019	280,000	370,108	650,108
2020	295,000	356,372	651,372
2021	305,000	343,027	648,027
2022	325,000	329,090	654,090
2023	340,000	316,652	656,652
2024	295,000	303,253	598,253
2025	315,000	291,227	606,227
2026	325,000	278,338	603,338
2027	335,000	264,737	599,737
2028	350,000	250,718	600,718
2029	340,000	235,905	575,905
2030	355,000	221,455	576,455
2031	370,000	206,190	576,190
2032	385,000	190,280	575,280
2033	400,000	173,725	573,725
2034	425,000	156,325	581,325
2035	440,000	137,838	577,838
2036	460,000	118,037	578,037
2037	480,000	97,338	577,338
2038	500,000	75,137	575,137
2039	520,000	52,013	572,013
2040	575,000	27,312	602,312
<b>Total</b>	<b>\$ 9,280,000</b>	<b>\$ 5,974,704</b>	<b>\$ 15,254,704</b>

Exhibit I-3

Chester County, Tennessee  
Schedule of Investments  
June 30, 2015

<u>Fund and Type</u>	<u>Amount</u>
<u>Permanent Fund</u>	
<u>Endowment Fund</u>	
Vanguard 500 Index Fund	\$ 117,519
Spartan International Index Fund	20,434
Vanguard Short-term Bond Index Fund	38,331
Vanguard Total Bond Fund	36,960
Vanguard Intermediate-term Corporate Bond Index Fund	24,992
CBT Prime-Based Money Market Fund	<u>12,288</u>
 Total Investments	 <u>\$ 250,524</u>



Exhibit I-4

Chester County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Chester County School Department  
For the Year Ended June 30, 2015

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Solid Waste/Sanitation	Operations	\$ 125,000
"	General Capital Projects	Capital expenditures	143,000
Total Transfers Primary Government			<u>\$ 268,000</u>
<u>DISCRETELY PRESENTED CHESTER COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	School Federal Projects	Cash flow funds	\$ 200,000
School Federal Projects	General Purpose School	Indirect costs	6,163
Total Transfers Discretely Presented Chester County School Department			<u>\$ 206,163</u>

Exhibit I-5

Chester County, Tennessee  
 Schedule of Salaries and Official Bonds of Principal Officials  
 Primary Government and Discretely Presented Chester County School Department  
 For the Year Ended June 30, 2015

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 77,531	\$ 100,000	Cincinnati Insurance Company
Road Supervisor	Section 8-24-102, TCA	72,374	100,000	"
Director of Schools	State Board of Education and County Board of Education	99,004 (1)	150,000	Tennessee Risk Management Trust
Trustee	Section 8-24-102, TCA	63,843	704,121	Cincinnati Insurance Company
Assessor of Property	Section 8-24-102, TCA	63,843	50,000	State Automobile Mutual Insurance Company
County Clerk:				
Johnny Garner (7-1-14 through 8-31-14)	Section 8-24-102, TCA	10,640	50,000	"
Stacy Smith (9-1-14 through 6-30-15)	Section 8-24-102, TCA	53,203	100,000	Cincinnati Insurance Company
Circuit and General Sessions Courts Clerk:				
Eddie Bailey (7-1-14 through 8-31-14)	Section 8-24-102, TCA	10,640	50,000	State Automobile Mutual Insurance Company
Justin Emerson (9-1-14 through 6-30-15)	Section 8-24-102, TCA	53,203	100,000	Cincinnati Insurance Company
Clerk and Master	Section 8-24-102, TCA and Chancery Court Judge	63,843 (2)	125,000	State Automobile Mutual Insurance Company
Register of Deeds	Section 8-24-102, TCA	63,843	100,000	Cincinnati Insurance Company
Sheriff	Section 8-24-102, TCA	70,228 (3)	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 chief executive officer training supplement of \$1,000.
- (2) Does not include special commissioner fees of \$3,525.
- (3) Does not include a law enforcement training supplement of \$600.

Chester County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2015

	Special Revenue Funds						
	General	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<b>Local Taxes</b>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 3,700,259	\$ 0	\$ 0	\$ 0	\$ 0	\$ 42,772	
Discount on Property Taxes	(38,675)	0	0	0	0	(449)	
Trustee's Collections - Prior Year	129,816	0	0	0	0	1,573	
Trustee's Collections - Bankruptcy	225	0	0	0	0	3	
Circuit/Clerk and Master Collections - Prior Years	69,348	0	8,332	0	0	1,039	
Interest and Penalty	26,048	0	0	0	0	294	
Payments in-Lieu-of Taxes - T.V.A.	10,000	0	0	0	0	3,209	
Payments in-Lieu-of Taxes - Other	838	0	150,800	0	0	19	
<u>County Local Option Taxes</u>							
Local Option Sales Tax	137,341	0	0	0	0	0	
Hotel/Motel Tax	0	0	12,353	0	0	0	
Wheel Tax	181,426	0	0	0	0	0	
Litigation Tax - General	36,315	0	0	0	0	0	
Litigation Tax - Special Purpose	4,405	0	0	0	0	0	
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	
Litigation Tax - Courthouse Security	190	0	0	0	0	0	
Business Tax	0	0	84,397	0	0	0	
<u>Statutory Local Taxes</u>							
Bank Excise Tax	43,270	0	43,270	0	0	0	
Wholesale Beer Tax	0	0	46,516	0	0	0	
Interstate Telecommunications Tax	848	0	0	0	0	0	
<b>Total Local Taxes</b>	<b>\$ 4,301,654</b>	<b>\$ 0</b>	<b>\$ 345,668</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 48,460</b>	

(Continued)

Exhibit I-6

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 \$	19,626 \$	0 \$	0 \$	0
Total Licenses and Permits	0 \$	0 \$	19,626 \$	0 \$	0 \$	0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	2,328 \$	0 \$	0 \$	0 \$	0 \$	0
Officers Costs	1,667	0	0	0	0	0
Drug Control Fines	0	0	0	1,091	0	0
Drug Court Fees	152	0	0	420	0	0
Jail Fees	769	0	0	0	0	0
DUI Treatment Fines	142	0	0	0	0	0
Data Entry Fee - Circuit Court	453	0	0	0	0	0
Victims Assistance Assessments	1,581	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	13,231	0	0	0	0	0
Officers Costs	14,717	0	0	0	0	0
Game and Fish Fines	137	0	0	0	0	0
Drug Control Fines	2,392	0	0	6,179	0	0
Drug Court Fees	2,518	0	0	0	0	0
Jail Fees	7,100	0	0	0	0	0
DUI Treatment Fines	2,472	0	0	0	0	0
Data Entry Fee - General Sessions Court	4,743	0	0	0	0	0
Courtroom Security Fee	11	0	0	0	0	0
Victims Assistance Assessments	10,041	0	0	0	0	0

(Continued)

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
<b>Fines, Forfeitures, and Penalties (Cont.)</b>						
<u>Juvenile Court</u>						
Officers Costs	1,536 \$	0 \$	0 \$	0 \$	0 \$	0
Data Entry Fee - Juvenile Court	396	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	542	0	0	0	0	0
Data Entry Fee - Chancery Court	2,202	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	0	1,945	0	0
Courtroom Security Fee	11	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	4,847	0	0
Other Fines, Forfeitures, and Penalties	1,744	0	0	0	0	0
<b>Total Fines, Forfeitures, and Penalties</b>	<b>70,885 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>14,482 \$</b>	<b>0 \$</b>	<b>0</b>

Charges for Current Services

General Service Charges

Convenience Waste Centers Collection Charge	0 \$	0 \$	93,809 \$	0 \$	0 \$	0
Solid Waste Disposal Fee	0	0	1,181	0	0	0
<b>Fees</b>						
Library Fees	0	12,965	0	0	0	0
Greenbelt Late Application Fee	50	0	0	0	0	0
Telephone Commissions	69,631	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	3,525	0
Data Processing Fee - Register	4,662	0	0	0	0	0
Data Processing Fee - Sheriff	1,761	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	2,550	0	0	0	0	0

(Continued)

Exhibit I-6

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
<b>Charges for Current Services (Cont.)</b>						
<b>Fees (Cont.)</b>						
Subscription and Document Retrieval Fee - Chancery	\$ 815	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Charges for Current Services	\$ 79,469	\$ 12,965	\$ 94,990	\$ 0	\$ 3,525	\$ 0
<b>Other Local Revenues</b>						
<b>Recurring Items</b>						
Investment Income	\$ 341	\$ 2,371	\$ 20,463	\$ 0	\$ 0	\$ 3,101
Lease/Rentals	2,100	0	131,134	0	0	0
Sale of Materials and Supplies	0	0	0	0	0	1,500
Sale of Recycled Materials	0	0	223,127	0	0	0
Miscellaneous Refunds	31,628	0	2,356	0	0	1,189
<b>Other Local Revenues</b>	0	0	0	6,044	0	29,543
Total Other Local Revenues	\$ 34,069	\$ 2,371	\$ 377,080	\$ 6,044	\$ 0	\$ 35,333
<b>Fees Received from County Officials</b>						
<b>Fees in-Lieu-of Salary</b>						
County Clerk	\$ 168,394	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	23,361	0	0	0	0	0
General Sessions Court Clerk	82,951	0	0	0	0	0
Clerk and Master	94,389	0	0	0	0	0
Register	53,775	0	0	0	0	0
Sheriff	6,970	0	0	0	0	0
Trustee	202,021	0	0	0	0	0
Total Fees Received from County Officials	\$ 631,861	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit I-6

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	\$ 8,274	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Public Safety Grants	7,800	0	0	0	0	0
Law Enforcement Training Programs						
Health and Welfare Grants						
Health Department Programs	38,313	0	0	0	0	0
Other Health and Welfare Grants	15,888	0	0	0	0	0
Public Works Grants						
State Aid Program	0	0	0	0	0	14,911
Litter Program	39,091	0	5,430	0	0	0
<u>Other State Revenues</u>						
Income Tax	0	0	13,496	0	0	0
Beer Tax	0	0	18,055	0	0	0
Alcoholic Beverage Tax	0	0	36,126	0	0	0
State Revenue Sharing - T.V.A.	0	75,000	192,609	0	0	0
Contracted Prisoner Boarding	404,706	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,438,473
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	586	145,767	0	0	0
Other State Revenues	0	0	5,601	0	0	616
Total State of Tennessee	\$ 529,236	\$ 75,586	\$ 417,084	\$ 0	\$ 0	\$ 1,466,361
<u>Federal Government</u>						
<u>Federal Through State</u>						
Civil Defense Reimbursement	\$ 44,751	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Federal through State	253,260	0	0	0	0	0

(Continued)

Exhibit I-6

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 (Cont.)</u>						
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	\$ 4,400	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Federal Government	\$ 302,411	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Paving and Maintenance	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contributions	0	9,929	0	0	0	0
Contracted Services	212,804	0	0	0	0	0
<u>Citizens Groups</u>						
Donations	1,453	0	0	0	0	0
<u>Other</u>						
Other	46,500	0	30,000	0	0	0
Total Other Governments and Citizens Groups	\$ 261,757	\$ 9,929	\$ 30,000	\$ 0	\$ 0	\$ 0
<b>Total</b>	\$ 6,211,342	\$ 100,851	\$ 1,284,448	\$ 20,526	\$ 3,525	\$ 1,550,154

(Continued)



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

	Debt Service Funds		Permanent Fund		Total
	General Debt Service	Education Debt Service	Endowment		
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 33,361	\$ 0	\$ 0	\$ 0	3,776,392
Discount on Property Taxes	(349)	0	0	0	(39,473)
Trustee's Collections - Prior Year	1,183	0	0	0	132,572
Trustee's Collections - Bankruptcy	2	0	0	0	230
Circuit/Clerk and Master Collections - Prior Years	1,156	0	0	0	79,875
Interest and Penalty	230	0	0	0	26,572
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	0	13,209
Payments in-Lieu-of Taxes - Other	15	0	0	0	151,672
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	686,764	0	0	824,105
Hotel/Motel Tax	0	0	0	0	12,353
Wheel Tax	682,730	0	0	0	764,156
Litigation Tax - General	0	0	0	0	36,315
Litigation Tax - Special Purpose	0	0	0	0	4,405
Litigation Tax - Jail, Workhouse, or Courthouse	15,010	0	0	0	15,010
Litigation Tax - Courthouse Security	0	0	0	0	190
Business Tax	0	0	0	0	84,397
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	0	0	0	86,540
Wholesale Beer Tax	0	0	0	0	46,516
Interstate Telecommunications Tax	0	0	0	0	848
<b>Total Local Taxes</b>	<b>\$ 633,338</b>	<b>\$ 686,764</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>6,015,894</b>

(Continued)



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

	Debt Service Funds		Permanent	Total
	General Debt Service	Education Debt Service	Fund Endowment	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>				
<u>Juvenile Court</u>				
Officers Costs	\$ 0	0	0	1,536
Data Entry Fee - Juvenile Court	0	0	0	396
<u>Chancery Court</u>				
Officers Costs	0	0	0	542
Data Entry Fee - Chancery Court	0	0	0	2,202
<u>Judicial District Drug Program</u>				
Drug Task Force Forfeitures and Seizures	0	0	0	1,945
Courtroom Security Fee	0	0	0	11
<u>Other Fines, Forfeitures, and Penalties</u>				
Proceeds from Confiscated Property	0	0	0	4,847
Other Fines, Forfeitures, and Penalties	0	0	0	1,744
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 0</b>	<b>0</b>	<b>0</b>	<b>85,367</b>
<u>Charges for Current Services</u>				
<u>General Service Charges</u>				
Convenience Waste Centers Collection Charge	\$ 0	0	0	93,809
Solid Waste Disposal Fee	0	0	0	1,181
<u>Fees</u>				
Library Fees	0	0	0	12,965
Greenbelt Late Application Fee	0	0	0	50
Telephone Commissions	0	0	0	69,631
Constitutional Officers' Fees and Commissions	0	0	0	3,525
Data Processing Fee - Register	0	0	0	4,662
Data Processing Fee - Sheriff	0	0	0	1,761
Sexual Offender Registration Fee - Sheriff	0	0	0	2,550

(Continued)

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

	Debt Service Funds		Education Debt Service	Endowment	Total
	General Debt Service	Permanent Fund			
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Subscription and Document Retrieval Fee - Chancery	\$ 0 \$	0 \$	0 \$	0 \$	815
Total Charges for Current Services	\$ 0 \$	0 \$	0 \$	0 \$	190,949
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0 \$	0 \$	0 \$	5,506 \$	31,782
Lease/Rentals	0	0	0	0	133,234
Sale of Materials and Supplies	0	0	0	0	1,500
Sale of Recycled Materials	0	0	0	0	223,127
Miscellaneous Refunds	0	0	0	0	35,173
<u>Other Local Revenues</u>					
Other Local Revenues	0	0	0	0	35,587
Total Other Local Revenues	\$ 0 \$	0 \$	0 \$	5,506 \$	460,403
<u>Fees Received from County Officials</u>					
<u>Fees in-Lieu-of Salary</u>					
County Clerk	\$ 0 \$	0 \$	0 \$	0 \$	168,394
Circuit Court Clerk	0	0	0	0	23,361
General Sessions Court Clerk	0	0	0	0	82,951
Clerk and Master	0	0	0	0	94,389
Register	0	0	0	0	53,775
Sheriff	0	0	0	0	6,970
Trustee	0	0	0	0	202,021
Total Fees Received from County Officials	\$ 0 \$	0 \$	0 \$	0 \$	631,861

(Continued)

Exhibit I-6

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

	Debt Service Funds			Permanent Fund		Total
	General Debt Service	Education Debt Service		Endowment		
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	8,274
Public Safety Grants						
Law Enforcement Training Programs	0	0	0	0	0	7,800
Health and Welfare Grants						
Health Department Programs	0	0	0	0	0	38,313
Other Health and Welfare Grants	0	0	0	0	0	15,888
Public Works Grants						
State Aid Program	0	0	0	0	0	14,911
Litter Program	0	0	0	0	0	44,521
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	13,496
Beer Tax	0	0	0	0	0	18,055
Alcoholic Beverage Tax	0	0	0	0	0	36,126
State Revenue Sharing - T.V.A.	2,503	0	0	0	0	270,112
Contracted Prisoner Boarding	0	0	0	0	0	404,706
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,438,473
Petroleum Special Tax	0	0	0	0	0	12,361
Registrar's Salary Supplement	0	0	0	0	0	15,164
Other State Grants	0	0	0	0	0	146,353
Other State Revenues	0	0	0	0	0	6,217
Total State of Tennessee	\$ 2,503	\$ 0	\$ 0	\$ 0	\$ 0	2,490,770
<u>Federal Government</u>						
<u>Federal Through State</u>						
Civil Defense Reimbursement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	44,751
Other Federal through State	0	0	0	0	0	253,260

(Continued)

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

	Debt Service Funds			Permanent Fund	Total
	General Debt Service	Education Debt Service	Endowment		
<b>Federal Government (Cont.)</b>					
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	\$ 0 \$	0 \$	0 \$	0 \$	4,400
Total Federal Government	\$ 0 \$	0 \$	0 \$	0 \$	302,411
<b>Other Governments and Citizens Groups</b>					
<u>Other Governments</u>					
Paving and Maintenance	\$ 0 \$	0 \$	0 \$	0 \$	1,000
Contributions	0	0	0	0	9,929
Contracted Services	0	0	0	0	212,804
<u>Citizens Groups</u>					
Donations	0	0	0	0	1,453
<u>Other</u>					
Other	0	0	0	0	76,500
Total Other Governments and Citizens Groups	\$ 0 \$	0 \$	0 \$	0 \$	301,686
<b>Total</b>	\$ 635,841 \$	686,764 \$	5,506 \$	10,498,957	

Exhibit I-7

Chester County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 Discretely Presented Chester County School Department  
 For the Year Ended June 30, 2015

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria		
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,596,431	\$ 0	\$ 0	\$ 0	\$ 1,596,431
Trustee's Collections - Prior Year	58,867	0	0	0	58,867
Trustee's Collections - Bankruptcy	98	0	0	0	98
Circuit/Clerk and Master Collections - Prior Years	47,290	0	0	0	47,290
Interest and Penalty	10,730	0	0	0	10,730
Payments in-Lieu-of Taxes - T.V.A.	121,043	0	0	0	121,043
Payments in-Lieu-of Taxes - Other	708	0	0	0	708
<u>County Local Option Taxes</u>					
Local Option Sales Tax	755,709	0	0	0	755,709
Statutory Local Taxes					
Interstate Telecommunications Tax	1,205	0	0	0	1,205
Total Local Taxes	\$ 2,592,081	\$ 0	\$ 0	\$ 0	\$ 2,592,081

<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 988	\$ 0	\$ 0	\$ 0	\$ 988
Total Licenses and Permits	\$ 988	\$ 0	\$ 0	\$ 0	\$ 988

<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 26,436	\$ 0	\$ 0	\$ 0	\$ 26,436
Tuition - Summer School	1,180	0	0	0	1,180
Lunch Payments - Children	0	0	194,181	0	194,181
Lunch Payments - Adults	0	0	34,616	0	34,616

(Continued)

Exhibit I-7

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

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria		
<u>Charges for Current Services (Cont.)</u>					
<u>Education Charges (Cont.)</u>					
Income from Breakfast	0 \$	0 \$	15,856 \$		15,856
A la carte Sales	0	0	117,855		117,855
Receipts from Individual Schools	12,525	0	0		12,525
<u>Other Charges for Services</u>					
Other Charges for Services	6,160	0	0		6,160
Total Charges for Current Services	\$ 46,301	\$ 0	\$ 362,508		\$ 408,809
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	35,071	0	2,248		37,319
Lease/Rentals	11,048	0	0		11,048
Miscellaneous Refunds	36,234	0	43,373		79,607
<u>Nonrecurring Items</u>					
Sale of Equipment	1,500	0	0		1,500
Damages Recovered from Individuals	212	0	0		212
Contributions and Gifts	500	0	0		500
<u>Other Local Revenues</u>					
Other Local Revenues	12,954	0	0		12,954
Total Other Local Revenues	\$ 97,519	\$ 0	\$ 45,621		\$ 143,140
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-behalf Contributions for OPEB	\$ 62,778	\$ 0	\$ 0		\$ 62,778

(Continued)



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

	Special Revenue Funds					Total
	General Purpose School	School Federal Projects	School Federal Projects	Central Cafeteria	Central Cafeteria	
<u>State of Tennessee (Cont.)</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 14,642,209	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,642,209
Early Childhood Education	197,724	0	0	0	0	197,724
School Food Service	0	0	0	15,574	0	15,574
Driver Education	15,322	0	0	0	0	15,322
Other State Education Funds	244,457	0	0	0	0	244,457
Career Ladder Program	54,916	0	0	0	0	54,916
Career Ladder - Extended Contract	18,520	0	0	0	0	18,520
<u>Other State Revenues</u>						
Other State Grants	53,705	0	0	0	0	53,705
Total State of Tennessee	\$ 15,289,631	\$ 0	\$ 0	\$ 15,574	\$ 0	\$ 15,305,205
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 0	\$ 643,902	\$ 0	\$ 643,902
USDA - Commodities	0	0	0	81,493	0	81,493
Breakfast	0	0	0	181,660	0	181,660
USDA - Other	0	0	0	511,700	0	511,700
Vocational Education - Basic Grants to States	0	0	40,976	0	0	40,976
Title I Grants to Local Education Agencies	0	0	683,168	0	0	683,168
Special Education - Grants to States	2,576	0	510,458	0	0	513,034
Special Education Preschool Grants	0	0	15,761	0	0	15,761
Eisenhower Professional Development State Grants	0	0	101,467	0	0	101,467
Race to the Top - ARRA	0	0	14,779	0	0	14,779
Other Federal through State	0	0	370,285	0	0	370,285
Total Federal Government	\$ 2,576	\$ 1,736,894	\$ 1,418,755	\$ 0	\$ 0	\$ 3,158,225
Total	\$ 18,029,096	\$ 1,736,894	\$ 1,842,458	\$ 0	\$ 0	\$ 21,608,448

Exhibit I-8

Chester County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2015

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	21,650	
Social Security		1,656	
Dues and Memberships		1,300	
Total County Commission	\$		24,606

Board of Equalization

Board and Committee Members Fees	\$	1,000	
Total Board of Equalization			1,000

Budget and Finance Committee

Board and Committee Members Fees	\$	750	
Social Security		57	
Total Budget and Finance Committee			807

County Mayor/Executive

County Official/Administrative Officer	\$	77,531	
Secretary(ies)		26,447	
Social Security		7,779	
Pensions		7,709	
Medical Insurance		13,396	
Unemployment Compensation		101	
Communication		6,476	
Data Processing Services		1,395	
Dues and Memberships		1,641	
Printing, Stationery, and Forms		383	
Travel		730	
Data Processing Supplies		206	
Office Supplies		1,339	
Total County Mayor/Executive			145,133

County Attorney

Legal Services	\$	28,294	
Total County Attorney			28,294

Election Commission

County Official/Administrative Officer	\$	57,459	
Clerical Personnel		25,818	
Part-time Personnel		894	
Election Commission		4,350	
Election Workers		35,170	
Social Security		6,198	
Pensions		6,177	
Medical Insurance		10,713	
Unemployment Compensation		240	
Communication		7,817	
Data Processing Services		21,316	
Dues and Memberships		1,650	

(Continued)

Exhibit I-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Maintenance and Repair Services - Equipment	\$	2,770	
Printing, Stationery, and Forms		2,140	
Travel		2,082	
Office Supplies		6,001	
Office Equipment		21,468	
<b>Total Election Commission</b>			\$ 212,263

Register of Deeds

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		28,438	
Longevity Pay		1,850	
Social Security		6,949	
Pensions		6,773	
Medical Insurance		13,156	
Unemployment Compensation		90	
Communication		892	
Data Processing Services		5,777	
Dues and Memberships		882	
Travel		1,417	
Data Processing Supplies		786	
Office Supplies		685	
Office Equipment		3,255	
<b>Total Register of Deeds</b>			134,793

County Buildings

Salary Supplements	\$	3,000	
Custodial Personnel		9,838	
Maintenance Personnel		70,198	
Longevity Pay		1,250	
Overtime Pay		16,187	
Social Security		7,479	
Pensions		6,340	
Medical Insurance		10,833	
Unemployment Compensation		283	
Communication		12,924	
Maintenance and Repair Services - Buildings		101,835	
Maintenance and Repair Services - Office Equipment		944	
Pest Control		1,247	
Travel		2,929	
Custodial Supplies		9,992	
Electricity		46,470	
Gasoline		273	
Natural Gas		8,880	
Water and Sewer		4,509	
Building and Contents Insurance		46,367	
Liability Insurance		2,500	
Building Improvements		10,607	
<b>Total County Buildings</b>			374,885

(Continued)

Exhibit I-8

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

General Fund (Cont.)

General Government (Cont.)

Other Facilities

Communication	\$	3,163	
Maintenance and Repair Services - Buildings		624	
Pest Control		400	
Electricity		9,779	
Water and Sewer		749	
Total Other Facilities			\$ 14,715

Other General Administration

Dues and Memberships	\$	1,620	
Legal Notices, Recording, and Court Costs		153	
Postal Charges		19,160	
Printing, Stationery, and Forms		631	
Periodicals		560	
Premiums on Corporate Surety Bonds		16,379	
Workers' Compensation Insurance		1,059	
Office Equipment		3,200	
Total Other General Administration			42,762

Finance

Accounting and Budgeting

Supervisor/Director	\$	26,447	
Clerical Personnel		26,447	
Part-time Personnel		809	
Educational Incentive - Other County Employees		3,000	
Longevity Pay		1,600	
Social Security		4,270	
Pensions		4,081	
Medical Insurance		6,698	
Unemployment Compensation		132	
Communication		1,835	
Data Processing Services		10,889	
Dues and Memberships		95	
Printing, Stationery, and Forms		649	
Travel		157	
Office Supplies		3,082	
Total Accounting and Budgeting			90,191

Property Assessor's Office

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		45,776	
Educational Incentive - Other County Employees		1,500	
Longevity Pay		300	
Social Security		8,174	
Pensions		8,038	
Medical Insurance		17,861	
Unemployment Compensation		227	
Audit Services		6,988	

(Continued)

Exhibit I-8

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Communication	\$	2,639	
Data Processing Services		9,188	
Dues and Memberships		1,400	
Printing, Stationery, and Forms		271	
Travel		1,583	
Office Supplies		690	
Office Equipment		1,500	
Total Property Assessor's Office			\$ 169,978

Reappraisal Program

Clerical Personnel	\$	10,825	
Social Security		828	
Unemployment Compensation		108	
Travel		3,193	
Total Reappraisal Program			14,954

County Trustee's Office

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		51,643	
Educational Incentive - Other County Employees		1,500	
Longevity Pay		725	
Social Security		8,798	
Pensions		7,314	
Medical Insurance		10,833	
Unemployment Compensation		180	
Communication		2,218	
Data Processing Services		10,646	
Dues and Memberships		1,107	
Maintenance and Repair Services - Equipment		6,051	
Printing, Stationery, and Forms		4,692	
Travel		3,246	
Other Contracted Services		1,285	
Office Supplies		2,348	
Total County Trustee's Office			176,429

County Clerk's Office

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		79,036	
Part-time Personnel		13,224	
Educational Incentive - Other County Employees		1,500	
Longevity Pay		1,700	
Social Security		11,908	
Pensions		10,486	
Medical Insurance		14,555	
Unemployment Compensation		361	
Communication		2,268	
Data Processing Services		9,465	

(Continued)

Exhibit I-8

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Dues and Memberships	\$	507	
Travel		1,850	
Office Supplies		2,076	
Total County Clerk's Office	\$		212,779

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		27,606	
Educational Incentive - Other County Employees		6,000	
Longevity Pay		2,525	
Jury and Witness Expense		5,924	
Social Security		13,466	
Pensions		10,506	
Medical Insurance		13,156	
Unemployment Compensation		518	
Communication		90	
Data Processing Services		10,911	
Dues and Memberships		647	
Travel		955	
Food Supplies		154	
Office Supplies		5,790	
Office Equipment		3,475	
Total Circuit Court			244,907

General Sessions Court

Judge(s)	\$	88,108	
Social Security		6,613	
Pensions		6,466	
Medical Insurance		6,674	
Communication		70	
Contracts with Private Agencies		9,269	
Dues and Memberships		190	
Travel		2,576	
Office Supplies		41	
Total General Sessions Court			120,007

Chancery Court

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		79,341	
Longevity Pay		900	
Social Security		10,775	

(Continued)

Exhibit I-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Pensions	\$	10,508	
Medical Insurance		12,916	
Unemployment Compensation		270	
Communication		1,544	
Data Processing Services		11,478	
Dues and Memberships		922	
Legal Notices, Recording, and Court Costs		1,291	
Travel		1,835	
Office Supplies		2,822	
Office Equipment		2,204	
<b>Total Chancery Court</b>			\$ 200,649

Juvenile Court

Clerical Personnel	\$	26,447	
Longevity Pay		100	
Social Security		1,907	
Pensions		1,941	
Medical Insurance		6,458	
Unemployment Compensation		90	
<b>Total Juvenile Court</b>			36,943

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	70,228	
Assistant(s)		29,813	
Supervisor/Director		47,850	
Deputy(ies)		424,393	
Investigator(s)		91,050	
Salary Supplements		7,800	
Dispatchers/Radio Operators		261,849	
Secretary(ies)		30,144	
Part-time Personnel		4,368	
Longevity Pay		8,775	
Overtime Pay		67,838	
Other Salaries and Wages		4,674	
In-service Training		6,970	
Social Security		79,539	
Pensions		75,807	
Medical Insurance		133,638	
Unemployment Compensation		2,653	
Communication		25,514	
Contracts with Government Agencies		2,367	
Contributions		50	
Data Processing Services		460	
Dues and Memberships		2,442	
Maintenance and Repair Services - Vehicles		18,285	
Pest Control		825	

(Continued)

Exhibit I-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Towing Services	\$	1,985	
Travel		10,647	
Other Contracted Services		8,096	
Custodial Supplies		2,085	
Food Supplies		50	
Gasoline		36,280	
Law Enforcement Supplies		7,620	
Office Supplies		5,687	
Tires and Tubes		4,612	
Uniforms		6,750	
Other Supplies and Materials		2,226	
Workers' Compensation Insurance		29,922	
Other Charges		3,043	
Law Enforcement Equipment		4,235	
Office Equipment		655	
Total Sheriff's Department	\$		1,521,225

Jail

Guards	\$	589,571	
Secretary(ies)		28,325	
Cafeteria Personnel		48,465	
Longevity Pay		4,075	
Overtime Pay		35,936	
Social Security		50,265	
Pensions		48,634	
Medical Insurance		93,743	
Unemployment Compensation		2,112	
Communication		3,289	
Maintenance and Repair Services - Buildings		28,652	
Medical and Dental Services		78,208	
Travel		1,589	
Other Contracted Services		601	
Custodial Supplies		11,803	
Food Preparation Supplies		841	
Food Supplies		105,118	
Office Supplies		258	
Prisoners Clothing		715	
Uniforms		11,239	
Utilities		83,878	
Other Supplies and Materials		38,106	
Total Jail			1,265,423

Juvenile Services

Youth Service Officer(s)	\$	54,343	
Longevity Pay		100	
Social Security		4,165	
Pensions		3,988	

(Continued)



Exhibit I-8

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Unemployment Compensation	\$	85	
Communication		1,731	
Travel		955	
Office Supplies		1,306	
<b>Total Juvenile Services</b>			\$ 66,673

Fire Prevention and Control

Supervisor/Director	\$	35,313	
Longevity Pay		650	
In-service Training		100	
Social Security		2,751	
Pensions		2,592	
Unemployment Compensation		90	
Communication		3,459	
Contributions		6,000	
Maintenance and Repair Services - Buildings		735	
Maintenance and Repair Services - Equipment		3,930	
Maintenance and Repair Services - Vehicles		11,343	
Pest Control		941	
Towing Services		95	
Gasoline		4,348	
Office Supplies		670	
Tires and Tubes		24	
Uniforms		595	
Vehicle and Equipment Insurance		27,728	
Workers' Compensation Insurance		15,468	
Other Charges		869	
Building Construction		9,000	
Motor Vehicles		246,235	
Other Equipment		1,699	
<b>Total Fire Prevention and Control</b>			374,635

Civil Defense

Supervisor/Director	\$	35,940	
Longevity Pay		150	
Social Security		2,634	
Pensions		2,638	
Medical Insurance		6,650	
Unemployment Compensation		90	
Communication		2,543	
Dues and Memberships		375	
Maintenance and Repair Services - Equipment		102	
Maintenance and Repair Services - Vehicles		128	
Travel		184	
Gasoline		1,279	
Office Supplies		1,034	
Other Equipment		1,124	
<b>Total Civil Defense</b>			54,871

(Continued)

Exhibit I-8

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

General Fund (Cont.)

Public Safety (Cont.)

Rescue Squad

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

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	<u>2,667</u>	
Total County Coroner/Medical Examiner			2,667

Public Health and Welfare

Local Health Center

Communication	\$	3,459	
Contracts with Government Agencies		12,281	
Dues and Memberships		200	
Janitorial Services		4,305	
Maintenance and Repair Services - Buildings		189	
Pest Control		510	
Postal Charges		205	
Custodial Supplies		615	
Drugs and Medical Supplies		693	
Natural Gas		16	
Office Supplies		1,012	
Utilities		9,250	
Water and Sewer		<u>55</u>	
Total Local Health Center			32,790

Ambulance/Emergency Medical Services

Ambulance Services	\$	<u>180,113</u>	
Total Ambulance/Emergency Medical Services			180,113

Alcohol and Drug Programs

Contributions	\$	<u>3,000</u>	
Total Alcohol and Drug Programs			3,000

Other Local Health Services

Clerical Personnel	\$	22,213	
Part-time Personnel		13,605	
Longevity Pay		75	
Social Security		2,622	
Pensions		1,630	
Medical Insurance		6,458	
Unemployment Compensation		188	
Travel		<u>233</u>	
Total Other Local Health Services			47,024

Regional Mental Health Center

Contributions	\$	<u>10,000</u>	
Total Regional Mental Health Center			10,000

(Continued)

Exhibit I-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

General Welfare Assistance

Contributions	\$	13,680	
Office Equipment		<u>7,938</u>	
Total General Welfare Assistance	\$		21,618

Other Local Welfare Services

Office Equipment	\$	<u>12,364</u>	
Total Other Local Welfare Services			12,364

Sanitation Education/Information

Guards	\$	15,072	
Clerical Personnel		3,120	
Part-time Personnel		5,200	
Overtime Pay		25	
Social Security		1,752	
Pensions		1,719	
Medical Insurance		2,069	
Unemployment Compensation		71	
Maintenance and Repair Services - Vehicles		168	
Travel		2,411	
Gasoline		2,402	
Other Charges		8,431	
Other Equipment		<u>250</u>	
Total Sanitation Education/Information			42,690

Social, Cultural, and Recreational Services

Other Social, Cultural, and Recreational

Contributions	\$	<u>25,342</u>	
Total Other Social, Cultural, and Recreational			25,342

Agriculture and Natural Resources

Agricultural Extension Service

Salary Supplements	\$	30,013	
Extension Service Medicare		7,109	
Communication		1,655	
Office Supplies		<u>1,144</u>	
Total Agricultural Extension Service			39,921

Soil Conservation

Secretary(ies)	\$	12,004	
Social Security		918	
Unemployment Compensation		88	
Communication		98	
Office Supplies		<u>1,094</u>	
Total Soil Conservation			14,202

Flood Control

Contributions	\$	<u>7,500</u>	
Total Flood Control			7,500

(Continued)

Exhibit I-8

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

General Fund (Cont.)

Other Operations

Industrial Development

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

Veterans' Services

County Official/Administrative Officer	\$ 19,141	
Longevity Pay	175	
Social Security	1,478	
Unemployment Compensation	90	
Communication	1,684	
Travel	703	
Office Supplies	797	
Total Veterans' Services		24,068

Employee Benefits

Life Insurance	\$ 6,653	
Total Employee Benefits		6,653

Miscellaneous

Trustee's Commission	\$ 86,284	
Other Charges	9,216	
Land	37,929	
Total Miscellaneous		133,429

Capital Projects

Other General Government Projects

Building Purchases	\$ 70,363	
Total Other General Government Projects		70,363

Total General Fund		\$ 6,229,505
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Public Library Fund

Social, Cultural, and Recreational Services

Libraries

County Official/Administrative Officer	\$ 26,447	
Part-time Personnel	23,287	
Longevity Pay	1,300	
Social Security	3,904	
Pensions	1,940	
Unemployment Compensation	321	
Communication	1,174	
Dues and Memberships	100	
Janitorial Services	920	
Maintenance and Repair Services - Buildings	861	
Pest Control	891	
Electricity	8,248	
Library Books/Media	3,374	
Natural Gas	1,229	

(Continued)

Exhibit I-8

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

Public Library Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Office Supplies	\$	4,864	
Water and Sewer		<u>830</u>	
Total Libraries	\$		79,690

Other Operations

Miscellaneous

Trustee's Commission	\$	<u>750</u>	
Total Miscellaneous			<u>750</u>

Total Public Library Fund \$ 80,440

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Supervisor/Director	\$	51,663
Accountants/Bookkeepers		19,788
Foremen		33,220
Mechanic(s)		31,007
Laborers		104,883
Part-time Personnel		13,258
Educational Incentive - Other County Employees		1,500
Longevity Pay		3,725
Overtime Pay		2,463
In-service Training		1,500
Social Security		19,817
Pensions		11,193
Medical Insurance		11,703
Unemployment Compensation		1,352
Communication		6,900
Dues and Memberships		3,600
Maintenance and Repair Services - Buildings		4,847
Maintenance and Repair Services - Equipment		9,289
Maintenance and Repair Services - Vehicles		2,053
Pest Control		341
Travel		2,987
Custodial Supplies		1,604
Electricity		8,050
Food Supplies		171
Natural Gas		284
Office Supplies		4,103
Uniforms		3,702
Water and Sewer		1,151
Gravel and Chert		438
Chemicals		1,051
Other Charges		1,127
Maintenance Equipment		7,608
Motor Vehicles		147,286

(Continued)

Exhibit I-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

Site Development	\$	3,375	
Solid Waste Equipment		<u>1,500</u>	
Total Convenience Centers	\$		518,539

Recycling Center

Truck Drivers	\$	6,004	
Laborers		77,288	
Secretary(ies)		16,575	
Part-time Personnel		5,304	
Educational Incentive - Other County Employees		1,500	
Longevity Pay		975	
Other Salaries and Wages		8,287	
Social Security		8,703	
Pensions		6,672	
Medical Insurance		13,964	
Unemployment Compensation		421	
Contracts with Government Agencies		90,164	
Maintenance and Repair Services - Buildings		1,502	
Maintenance and Repair Services - Equipment		4,017	
Maintenance and Repair Services - Vehicles		328	
Electricity		3,130	
Food Supplies		6,715	
Propane Gas		2,562	
Wire		5,772	
Other Supplies and Materials		135	
Other Charges		70	
Solid Waste Equipment		9,436	
Other Equipment		<u>17,288</u>	
Total Recycling Center			286,812

Other Waste Disposal

Truck Drivers	\$	17,340	
Longevity Pay		50	
Overtime Pay		121	
Social Security		874	
Pensions		174	
Medical Insurance		345	
Unemployment Compensation		91	
Contracts with Government Agencies		156,385	
Contracts with Other Public Agencies		9,990	
Contracts with Private Agencies		61,560	
Maintenance and Repair Services - Equipment		3,533	
Maintenance and Repair Services - Vehicles		3,158	
Towing Services		125	
Custodial Supplies		225	
Diesel Fuel		12,363	
Gasoline		9,272	

(Continued)

Exhibit I-8

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

<u>Solid Waste/Sanitation Fund (Cont.)</u>		
<u>Public Health and Welfare (Cont.)</u>		
<u>Other Waste Disposal (Cont.)</u>		
Tires and Tubes	\$ 5,226	
Solid Waste Equipment	44,536	
Other Construction	62,922	
Total Other Waste Disposal		\$ 388,290
<u>Postclosure Care Costs</u>		
Landfill Closure/Postclosure Care Costs	\$ 2,586	
Total Postclosure Care Costs		2,586
<u>Other Operations</u>		
<u>Other Charges</u>		
Trustee's Commission	\$ 6,171	
Other Charges	5,430	
Total Other Charges		11,601
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Bonds	\$ 30,000	
Total General Government		30,000
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 2,200	
Total General Government		2,200
Total Solid Waste/Sanitation Fund		\$ 1,240,028
<u>Drug Control Fund</u>		
<u>Public Safety</u>		
<u>Drug Enforcement</u>		
In-service Training	\$ 225	
Communication	1,883	
Contributions	921	
Confidential Drug Enforcement Payments	2,000	
Maintenance and Repair Services - Vehicles	684	
Travel	678	
Office Supplies	135	
Uniforms	500	
Law Enforcement Equipment	1,052	
Motor Vehicles	31,059	
Total Drug Enforcement		\$ 39,137
<u>Other Operations</u>		
<u>Miscellaneous</u>		
Trustee's Commission	\$ 119	
Total Miscellaneous		119
Total Drug Control Fund		39,256

(Continued)

Exhibit I-8

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

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	3,525	
Total Chancery Court			\$ 3,525
Total Constitutional Officers - Fees Fund			\$ 3,525

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	72,374	
Assistant(s)		34,567	
Accountants/Bookkeepers		420	
Educational Incentive - Other County Employees		3,000	
Contracts with Other Public Agencies		2,000	
Dues and Memberships		2,817	
Pest Control		300	
Postal Charges		98	
Travel		2,748	
Custodial Supplies		182	
Office Supplies		4,122	
Other Charges		9,098	
Total Administration			\$ 131,726

Highway and Bridge Maintenance

Foremen	\$	40,147	
Equipment Operators		163,532	
Truck Drivers		139,989	
Laborers		91,654	
Other Salaries and Wages		1,000	
Other Contracted Services		4,100	
Asphalt - Liquid		123,281	
Crushed Stone		54,690	
Fertilizer, Lime, and Seed		638	
Pipe		24,942	
Road Signs		2,449	
Small Tools		282	
Wood Products		168	
Gravel and Chert		23,541	
Other Supplies and Materials		17,389	
Total Highway and Bridge Maintenance			687,802

Operation and Maintenance of Equipment

Mechanic(s)	\$	71,154	
Maintenance and Repair Services - Equipment		19,181	
Diesel Fuel		69,329	
Equipment and Machinery Parts		47,036	
Garage Supplies		4,183	
Gasoline		25,010	
Tires and Tubes		16,670	
Total Operation and Maintenance of Equipment			252,563

(Continued)



Exhibit I-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Communication	\$	5,538	
Laundry Service		3,298	
Electricity		7,386	
Natural Gas		1,832	
Water and Sewer		686	
Trustee's Commission		15,549	
Vehicle and Equipment Insurance		<u>46,367</u>	
Total Other Charges			\$ 80,656

Employee Benefits

In-service Training	\$	384	
Social Security		46,863	
Pensions		44,182	
Employee and Dependent Insurance		125,708	
Unemployment Compensation		4,626	
Uniforms		10,470	
Workers' Compensation Insurance		<u>37,139</u>	
Total Employee Benefits			269,372

Capital Outlay

Engineering Services	\$	36,109	
Bridge Construction		<u>6,400</u>	
Total Capital Outlay			42,509

Principal on Debt

Highways and Streets

Principal on Notes	\$	<u>52,604</u>	
Total Highways and Streets			52,604

Interest on Debt

Highways and Streets

Interest on Notes	\$	<u>3,393</u>	
Total Highways and Streets			<u>3,393</u>

Total Highway/Public Works Fund \$ 1,520,625

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	<u>210,000</u>	
Total General Government			\$ 210,000

Interest on Debt

General Government

Interest on Bonds	\$	<u>408,896</u>	
Total General Government			408,896

(Continued)

Exhibit I-8

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Other Debt Service</u>		
<u>General Government</u>		
Bank Charges	\$ 1,369	
Trustee's Commission	<u>6,628</u>	
Total General Government		<u>\$ 7,997</u>
Total General Debt Service Fund		\$ 626,893
<u>Education Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>Education</u>		
Principal on Bonds	\$ 675,000	
Total Education		\$ 675,000
<u>Interest on Debt</u>		
<u>Education</u>		
Interest on Bonds	\$ 26,102	
Total Education		26,102
<u>Other Debt Service</u>		
<u>Education</u>		
Bank Charges	\$ 458	
Trustee's Commission	<u>6,948</u>	
Total Education		<u>7,406</u>
Total Education Debt Service Fund		708,508
<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>General Administration Projects</u>		
Architects	\$ 56,903	
Evaluation and Testing	444	
Testing	257	
Site Development	<u>109,902</u>	
Total General Administration Projects		<u>\$ 167,506</u>
Total General Capital Projects Fund		<u>167,506</u>
Total Governmental Funds - Primary Government		<u>\$ 10,616,286</u>

Exhibit I-9

Chester County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Chester County School Department  
For the Year Ended June 30, 2015

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,315,540	
Career Ladder Program	27,082	
Career Ladder Extended Contracts	20,235	
Educational Assistants	137,253	
Non-certified Substitute Teachers	103,919	
Social Security	365,684	
Pensions	558,874	
Life Insurance	2,749	
Medical Insurance	587,864	
Employer Medicare	89,035	
Other Fringe Benefits	810	
Contracts with Private Agencies	156,117	
Maintenance and Repair Services - Equipment	72	
Other Contracted Services	53,623	
Instructional Supplies and Materials	259,438	
Textbooks	116,099	
Regular Instruction Equipment	49,995	
<b>Total Regular Instruction Program</b>		<b>\$ 8,844,389</b>

Special Education Program

Teachers	\$ 423,941	
Career Ladder Program	2,000	
Career Ladder Extended Contracts	1,000	
Educational Assistants	326,854	
Speech Pathologist	106,874	
Non-certified Substitute Teachers	45,918	
Social Security	52,861	
Pensions	72,033	
Life Insurance	158	
Medical Insurance	57,229	
Employer Medicare	12,401	
Evaluation and Testing	3,159	
Other Contracted Services	2,697	
Instructional Supplies and Materials	7,914	
Other Supplies and Materials	1,238	
Special Education Equipment	2,875	
<b>Total Special Education Program</b>		<b>1,119,152</b>

Vocational Education Program

Teachers	\$ 377,963
Career Ladder Program	3,000
Non-certified Substitute Teachers	4,264
Social Security	20,553
Pensions	33,064
Life Insurance	180
Medical Insurance	40,061

(Continued)

Exhibit I-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Employer Medicare	\$	4,980	
Other Contracted Services		659	
Instructional Supplies and Materials		8,834	
Total Vocational Education Program			\$ 493,558

Student Body Education Program

Other Salaries and Wages	\$	2,553	
Social Security		158	
Employer Medicare		37	
Other Charges		55,292	
Total Student Body Education Program			58,040

Support Services

Attendance

Supervisor/Director	\$	47,047	
Career Ladder Program		2,000	
Social Security		2,668	
Pensions		4,434	
Life Insurance		18	
Medical Insurance		5,984	
Employer Medicare		624	
Other Supplies and Materials		40	
Total Attendance			62,815

Health Services

Medical Personnel	\$	73,757	
Other Salaries and Wages		59,510	
Social Security		8,000	
Pensions		6,620	
Life Insurance		23	
Medical Insurance		4,119	
Employer Medicare		1,871	
Communication		515	
Postal Charges		147	
Travel		3,797	
Other Contracted Services		2,000	
Drugs and Medical Supplies		4,784	
Other Supplies and Materials		12,267	
Total Health Services			177,410

Other Student Support

Guidance Personnel	\$	249,423	
Social Security		15,070	
Pensions		21,984	
Life Insurance		68	
Medical Insurance		7,612	

(Continued)

Exhibit I-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Employer Medicare	\$	3,524	
Contracts with Government Agencies		46,500	
Evaluation and Testing		10,621	
Travel		2,350	
Other Supplies and Materials		9	
<b>Total Other Student Support</b>			\$ 357,161

Regular Instruction Program

Supervisor/Director	\$	119,470	
Career Ladder Program		4,000	
Librarians		183,638	
Instructional Computer Personnel		95,399	
Clerical Personnel		6,375	
Social Security		22,552	
Pensions		32,731	
Life Insurance		90	
Medical Insurance		17,468	
Employer Medicare		5,667	
Consultants		2,300	
Travel		18,902	
Other Contracted Services		129,868	
Library Books/Media		41,248	
Other Supplies and Materials		4,833	
In Service/Staff Development		1,265	
Other Equipment		370	
<b>Total Regular Instruction Program</b>			686,176

Special Education Program

Supervisor/Director	\$	66,350	
Career Ladder Program		1,000	
Psychological Personnel		48,379	
Social Security		6,403	
Pensions		9,635	
Medical Insurance		13,502	
Employer Medicare		1,497	
Travel		4,864	
Other Contracted Services		48,653	
Other Supplies and Materials		603	
In Service/Staff Development		2,671	
<b>Total Special Education Program</b>			203,557

Vocational Education Program

Travel	\$	1,355	
<b>Total Vocational Education Program</b>			1,355

(Continued)

Exhibit I-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs

Supervisor/Director	\$	19,211	
Social Security		1,191	
Pensions		1,408	
Employer Medicare		279	
Other Supplies and Materials		7,522	
<b>Total Adult Programs</b>			\$ 29,611

Other Programs

On-behalf Payments to OPEB	\$	62,778	
<b>Total Other Programs</b>			62,778

Board of Education

Other Salaries and Wages	\$	5,500	
Social Security		341	
Unemployment Compensation		17,414	
Employer Medicare		80	
Audit Services		7,620	
Dues and Memberships		8,680	
Legal Services		7,793	
Travel		6,522	
Other Contracted Services		55,306	
Liability Insurance		35,000	
Trustee's Commission		71,298	
Workers' Compensation Insurance		160,000	
Criminal Investigation of Applicants - TBI		1,953	
Other Charges		20,004	
<b>Total Board of Education</b>			397,511

Director of Schools

County Official/Administrative Officer	\$	98,004	
Career Ladder Program		1,000	
Clerical Personnel		29,450	
Social Security		7,621	
Pensions		11,101	
Life Insurance		23	
Medical Insurance		2,260	
Employer Medicare		1,782	
Other Fringe Benefits		1,800	
Communication		3,799	
Dues and Memberships		2,061	
Postal Charges		2,967	
Travel		3,979	
Other Contracted Services		1,828	
Office Supplies		2,800	
Other Charges		787	
Administration Equipment		429	
<b>Total Director of Schools</b>			171,691

(Continued)

Exhibit I-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	396,289	
Career Ladder Program		4,000	
Assistant Principals		264,405	
Secretary(ies)		280,962	
Social Security		54,895	
Pensions		80,639	
Life Insurance		226	
Medical Insurance		50,252	
Employer Medicare		12,838	
Communication		17,320	
Travel		6,300	
Other Supplies and Materials		167	
In Service/Staff Development		665	
Other Charges		2,067	
Administration Equipment		20,053	
Total Office of the Principal	\$		1,191,078

Fiscal Services

Accountants/Bookkeepers	\$	88,369	
Social Security		5,385	
Pensions		6,366	
Employer Medicare		1,281	
Data Processing Services		733	
Travel		458	
Other Contracted Services		9,972	
Data Processing Supplies		1,080	
Office Supplies		722	
Total Fiscal Services			114,366

Operation of Plant

Supervisor/Director	\$	3,979	
Guards		25,846	
Custodial Personnel		340,228	
Other Salaries and Wages		4,910	
Social Security		22,440	
Pensions		24,861	
Medical Insurance		9,332	
Employer Medicare		5,248	
Travel		7,471	
Disposal Fees		9,420	
Other Contracted Services		11,681	
Custodial Supplies		124,679	
Electricity		466,412	
Natural Gas		88,636	
Water and Sewer		25,713	
Other Supplies and Materials		3,556	

(Continued)

Exhibit I-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Boiler Insurance	\$	4,000	
Building and Contents Insurance		83,000	
Plant Operation Equipment		2,603	
Total Operation of Plant			\$ 1,264,015

Maintenance of Plant

Maintenance Personnel	\$	161,412	
Other Salaries and Wages		6,534	
Social Security		10,413	
Pensions		8,657	
Employer Medicare		2,435	
Maintenance and Repair Services - Buildings		60,802	
Maintenance and Repair Services - Equipment		8,451	
Other Contracted Services		53,902	
Other Supplies and Materials		83,881	
Maintenance Equipment		27,193	
Total Maintenance of Plant			423,680

Transportation

Supervisor/Director	\$	8,696	
Mechanic(s)		60,199	
Bus Drivers		321,095	
Other Salaries and Wages		19,591	
Social Security		24,623	
Pensions		26,103	
Medical Insurance		916	
Employer Medicare		5,905	
Communication		810	
Maintenance and Repair Services - Vehicles		44,209	
Travel		1,206	
Other Contracted Services		10,326	
Gasoline		135,267	
Tires and Tubes		16,590	
Vehicle Parts		43,055	
Other Supplies and Materials		23,205	
Vehicle and Equipment Insurance		28,000	
Other Charges		1,137	
Transportation Equipment		87,716	
Total Transportation			858,649

Operation of Non-instructional Services

Community Services

Other Salaries and Wages	\$	622	
Social Security		39	
Pensions		21	
Employer Medicare		9	
Other Charges		8,544	
Total Community Services			9,235

(Continued)



Exhibit I-9

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

General Purpose School Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Early Childhood Education

Teachers	\$	71,270	
Educational Assistants		51,372	
Social Security		7,268	
Pensions		9,108	
Medical Insurance		5,357	
Employer Medicare		1,704	
Travel		4,576	
Other Contracted Services		4,131	
Instructional Supplies and Materials		35,121	
Other Equipment		7,818	
Total Early Childhood Education	\$		197,725

Capital Outlay

Regular Capital Outlay

Building Construction	\$	27,152	
Building Improvements		152,822	
Total Regular Capital Outlay			179,974

Total General Purpose School Fund

\$ 16,903,926

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	620,344	
Educational Assistants		139,177	
Other Salaries and Wages		11,720	
Social Security		39,615	
Pensions		42,204	
Medical Insurance		6,915	
Employer Medicare		11,112	
Other Contracted Services		17,014	
Instructional Supplies and Materials		29,406	
Regular Instruction Equipment		23,410	
Total Regular Instruction Program	\$		940,917

Special Education Program

Teachers	\$	89,245	
Clerical Personnel		24,900	
Educational Assistants		275,272	
Non-certified Substitute Teachers		9,100	
Social Security		23,331	
Pensions		30,235	
Medical Insurance		12,399	
Employer Medicare		5,485	
Instructional Supplies and Materials		11,807	
Other Supplies and Materials		1,188	
Special Education Equipment		14,550	
Total Special Education Program			497,512

(Continued)

Exhibit I-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Other Salaries and Wages	\$	2,470	
Social Security		153	
Pensions		223	
Employer Medicare		36	
Instructional Supplies and Materials		2,550	
Other Charges		448	
Vocational Instruction Equipment		20,118	
<b>Total Vocational Education Program</b>			\$ 25,998

Support Services

Health Services

Travel	\$	1,151	
<b>Total Health Services</b>			1,151

Other Student Support

Bus Drivers	\$	1,290	
Other Salaries and Wages		400	
Social Security		105	
Pensions		52	
Employer Medicare		25	
Travel		10,012	
Other Charges		2,431	
<b>Total Other Student Support</b>			14,315

Regular Instruction Program

Supervisor/Director	\$	52,717	
Secretary(ies)		14,875	
Clerical Personnel		6,236	
Other Salaries and Wages		88,231	
Social Security		9,702	
Pensions		14,317	
Medical Insurance		8,028	
Employer Medicare		2,269	
Travel		3,472	
Other Contracted Services		25,200	
Other Supplies and Materials		1,032	
In Service/Staff Development		6,662	
<b>Total Regular Instruction Program</b>			232,741

Special Education Program

Travel	\$	391	
In Service/Staff Development		214	
<b>Total Special Education Program</b>			605

Vocational Education Program

Supervisor/Director	\$	1,768	
Employer Medicare		29	
<b>Total Vocational Education Program</b>			1,797

(Continued)

Exhibit I-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation

Bus Drivers	\$	29,485	
Social Security		1,825	
Pensions		2,161	
Employer Medicare		427	
Total Transportation			\$ 33,898

Total School Federal Projects Fund \$ 1,748,934

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	37,593	
Accountants/Bookkeepers		23,917	
Clerical Personnel		2,587	
Cafeteria Personnel		439,673	
Other Salaries and Wages		116,248	
Social Security		37,162	
Pensions		37,738	
Medical Insurance		10,630	
Unemployment Compensation		346	
Employer Medicare		8,693	
Communication		2,410	
Maintenance and Repair Services - Equipment		25,130	
Transportation - Other than Students		7,281	
Travel		10,061	
Other Contracted Services		23,965	
Food Supplies		881,820	
Office Supplies		5,317	
Uniforms		6,391	
Utilities		10,074	
USDA - Commodities		81,493	
Other Supplies and Materials		69,790	
In Service/Staff Development		2,868	
Other Charges		5,510	
Food Service Equipment		21,676	
Total Food Service			\$ 1,868,373

Total Central Cafeteria Fund 1,868,373

Total Governmental Funds - Chester County School Department \$ 20,521,233

Exhibit I-10

Chester County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2015

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 827,451
Total Cash Receipts	<u>\$ 827,451</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 819,176
Trustee's Commission	<u>8,275</u>
Total Cash Disbursements	<u>\$ 827,451</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2014	<u>0</u>
 Cash Balance, June 30, 2015	 <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

**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***

Independent Auditor's Report

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, 2015, and the related notes to the financial statements, which collectively comprise Chester County's basic financial statements, and have issued our report thereon dated September 15, 2015.

**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: 2015-001, 2015-002, and 2015-003.

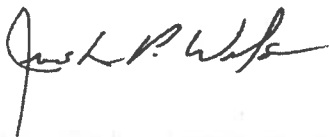
### **Compliance and Other Matters**

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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

September 15, 2015

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

**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 OMB Circular A-133**

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 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, 2015. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan



and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chester County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2015.

### **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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chester County's internal control over compliance.

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

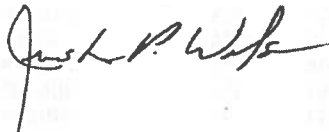
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2015, and the related notes to the financial statements, which collectively comprise Chester County's basic financial statements. We issued our report thereon dated September 15, 2015, 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 OMB Circular A-133 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

September 15, 2015

JPW/sb

Chester County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2015

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	\$ 81,493 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	181,660
National School Lunch Program	10.555	N/A	643,902 (3)
Summer Food Service Program for Children	10.559	N/A	511,700
Total U.S. Department of Agriculture			<u>\$ 1,418,755</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 253,260
Total U.S. Department of Housing and Urban Development			<u>\$ 253,260</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	31601-23358	\$ 8,274
Total U.S. Department of Justice			<u>\$ 8,274</u>
Institute of Museum and Library Services:			
Passed-through Tennessee Secretary of State:			
Grants to States	45.310	(2)	\$ 586
Total Institute of Museum and Library Services			<u>\$ 586</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 692,324
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	518,830
Special Education - Preschool Grants	84.173	N/A	15,761
Career and Technical Education - Basic Grants to States	84.048	(2)	39,678 (4)
Improving Teacher Quality State Grants	84.367	(2)	105,400
Teacher Incentive Fund	84.374	(2)	370,285
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	15,392
Passed-through Madison County, Tennessee:			
Career and Technical Education - Basic Grants to States	84.048	N/A	29,935 (4)
Total U.S. Department of Education			<u>\$ 1,787,605</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(2)	\$ 44,751
Total U.S. Department of Homeland Security			<u>\$ 44,751</u>
Total Expenditures of Federal Awards			<u>\$ 3,513,231</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
State Grants:			
Litter Program - State Department of Transportation	N/A	(2)	\$ 44,521
Family Resource Center - State Department of Education	N/A	(2)	29,612
Coordinated School Health - State Department of Education	N/A	(2)	89,383
Safe Schools - State Department of Education	N/A	(2)	17,070
ACT/Explore - State Department of Education	N/A	(2)	4,334
Early Childhood Education - State Department of Education	N/A	(2)	197,724
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	1,496
Hub and Spoke Grant - State Department of Environment and Conservation	N/A	(2)	129,394
Recycling Grant - State Department of Environment and Conservation	N/A	(2)	14,877
Health Grant - State Department of Health	N/A	(2)	<u>38,313</u>
<b>Total State Grants</b>			<b>\$ <u>566,724</u></b>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10 555 is \$725,395.
- (4) Total for CFDA No. 84 048 is \$69,613.

Chester County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2015

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Chester County, Tennessee, for the year ended June 30, 2014, which have not been corrected.

**OFFICE OF ROAD SUPERVISOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-001	164	Duties were not segregated adequately

**OFFICE OF TRUSTEE**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-003	165	Multiple employees operated from the same cash drawer

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**CHESTER COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

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

1. Our report on the financial statements of Chester County is unmodified.
2. The audit of the financial statements of Chester County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Chester County.
4. The audit disclosed no material weaknesses in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); Title I Grants to Local Educational Agencies (CFDA No. 84.010); and Teacher Incentive Fund (CFDA No. 84.374) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Chester County qualified as a low-risk auditee.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response; however, management did not provide responses for inclusion in this report.

### OFFICE OF ROAD SUPERVISOR

#### FINDING 2015-001

#### **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

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

As a part of our auditing procedures for determining whether internal controls over purchasing were operating as designed, we selected a sample of 25 disbursements totaling \$44,392 from a population of 421 vendor checks totaling \$1,030,335. Our examination revealed the following deficiencies, which were the result of a lack of management oversight.

- A. In two of 20 applicable instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than approval of the purchase. This practice could result in purchases being made in excess of approved budgetary spending limits.
- B. Invoices were paid without documentation that goods had been received and/or services had been rendered in eight of 23 applicable purchases. This practice weakens controls over the purchasing process and increases the risks of paying for something that was never received.

### RECOMMENDATION

To strengthen internal controls over purchasing procedures, the office should issue purchase orders for all applicable purchases before purchases are made, and documentation should be maintained that goods have been received or services have been rendered before invoices are paid.

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#### FINDING 2015-002

#### **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. The employee responsible for maintaining accounting records was also involved in receipting, depositing, posting, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial

reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. 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.

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#### OFFICE OF TRUSTEE

##### FINDING 2015-003

##### **EMPLOYEES HAD ACCESS TO EACH CASH DRAWER** (Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Although each employee had a separate cash drawer, all employees had access to each cash drawer. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but the beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision by the official resulting in a loss of control over assets. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

#### RECOMMENDATION

The trustee should ensure that each employee has access only to their own cash drawer.



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

**There were no findings and questioned costs for federal awards.**

## **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.

**CHESTER COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2015**

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