

**CHESTER COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT  
(A COMPONENT UNIT OF CHESTER  
COUNTY, TENNESSEE)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2012**

**CHESTER COUNTY EMERGENCY  
TABLE OF CONTENTS**

**Introductory Section**

Schedule of Officials

**Financial Section**

Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets .....	7
Statement of Revenues, Expenses and Changes in Net Assets .....	8
Statement of Cash Flows.....	9
Notes to Financial Statements .....	10
Schedule of Funding Progress.....	15

**Other Supplemental Section**

Budgetary Comparison Schedule .....	16
-------------------------------------	----

**Internal Control and Compliance Section**

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> .....	19
Schedule of Findings and Responses .....	21

## **INTRODUCTORY SECTION**

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
JUNE 30, 2012**

**SCHEDULE OF OFFICIALS**

Lynn Helton, Chairman  
Jim Vest, Vice-Chairman  
Cyndi Kilzer, Secretary  
Renee Phelps, Treasurer  
Johnny Farris  
Robert W. King  
Blair Weaver  
Glenn Bryan  
Bill Moore

**Management Official**

Jessica Reddin, Director  
Patricia Ledford, District Secretary

**Independent Certified Public Accountants**

Alexander Thompson Arnold PLLC  
Henderson, Tennessee

## **FINANCIAL SECTION**



Certified Public Accountants

[www.atacpa.net](http://www.atacpa.net)

109 Crook Avenue  
P.O. Box 385  
Henderson, TN 38340

Telephone: (731) 989-5520  
Fax: (731) 989-3411

**Members of**

American Institute of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

## Independent Auditor's Report

We have audited the accompanying financial statements of the Chester County Emergency Communications District (a discretely presented component unit of Chester County, Tennessee) (the District) as of and for the year ended June 30, 2012, as listed in the Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2012, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2012, on our consideration of the District'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors  
Chester County Emergency Communications District  
Henderson, Tennessee

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress on pages 3 through 6 and page 15 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 historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries., the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.



Certified Public Accountants  
Henderson, Tennessee  
August 9, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Chester County Emergency Communications District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. All amounts, unless otherwise indicated, are expressed in actual dollars.

### **FINANCIAL HIGHLIGHTS**

Management believes the District's financial condition is strong. The District is well within its budget and the more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were \$743 thousand and exceeded liabilities in the amount of \$740 thousand (i.e. net assets). Total assets increased by \$71 thousand. Due primarily from increased cash and equivalents resulting from controlled budget spending and increased operational funding.
- Net assets increased \$75 thousand during the current year. Due to increased funding from TECB operations.
- Operating revenues were \$291 thousand, an increase from year 2011 in the amount of \$41 thousand or 16.57%. Due to increased funding from TECB operations.
- Operating expenses were \$224 thousand, an increase from year 2011 in the amount of \$13 thousand or 6.26%. Increase primarily due to increased maintenance contract expenses and repeaters bought and given to other entities as part of the Districts services.
- The operating income for the year was \$67 thousand as compared to a \$39 thousand operating income during the 2011 fiscal year.

### **OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the District's strategic plan, budget and other management tools were used for this analysis. The financial report is made up of 4 sections: 1) the introductory section, 2) the financial section, 3) the other supplemental information, and 4) the internal control and compliance section. The introductory section includes the District's directory. The financial section includes the MD&A, the independent auditor's report, the financial statements with accompanying notes, and required supplementary information. The other supplemental section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

### **REQUIRED FINANCIAL STATEMENTS**

A Proprietary Fund is used to account for the operations of the District, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements report information about the District, using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The *Statement of Net Assets* presents the financial position of the District on a full accrual, historical cost basis. The statement of net assets includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenues, Expenses and Changes in Fund Net Assets* presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the District's operations and can be used to determine whether the District has successfully recovered all of its costs. This statement also measures the District's profitability and credit worthiness.

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. A *Supplementary Schedule* comparing the budget to actual expenses is also presented.

## **FINANCIAL ANALYSIS**

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in the net assets. Net assets are one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The District's total net assets increased by \$75 thousand for the fiscal year ended June 30, 2012. The analysis below focuses on the District's net assets (Table 1) and changes in net assets (Table 2) during the year.

Table 2A  
**CONDENSED STATEMENT NET ASSETS**

	June 30, 2012	June 30, 2011	\$	%
Current and other assets	\$ 597,789	\$ 479,060	\$ 118,729	24.78%
Capital assets	145,219	193,225	(48,006)	-24.84%
Total assets	<u>743,008</u>	<u>672,285</u>	<u>70,723</u>	10.52%
Total liabilities	<u>3,404</u>	<u>7,834</u>	<u>(4,430)</u>	-56.55%
Investment in capital assets	145,219	193,225	(48,006)	-24.84%
Unrestricted net assets	<u>594,385</u>	<u>471,226</u>	<u>123,159</u>	26.14%
Total net assets	<u>\$ 739,604</u>	<u>\$ 664,451</u>	<u>\$ 75,153</u>	11.31%

The changes in capital assets were funded completely by the District's funds. These funds were from Tennessee Emergency Communications Board's (TECB) operational funding and reimbursement money allotted for each district.

Changes in the District's net assets can be determined by reviewing the following condensed Statement of Income, Expenses and Changes in Fund Net Assets for the years.

Table 2B  
**CONDENSED STATEMENT OF INCOME, EXPENSES  
AND CHANGES IN FUND NET ASSETS**

	June 30, 2012	June 30, 2011	Increase (Decrease)	
			\$	%
Operating revenues	\$ 291,338	\$ 249,936	\$ 41,402	16.57%
Non-operating revenues	8,153	13,937	(5,784)	-41.50%
Total revenues	<u>299,491</u>	<u>263,873</u>	<u>35,618</u>	13.50%
Salaries and wages	69,544	69,065	479	0.69%
Employee benefits	6,091	14,668	(8,577)	-58.47%
Contracted services	64,215	52,848	11,367	21.51%
Supplies and materials	14,700	2,784	11,916	428.02%
Other charges	11,201	10,712	489	4.56%
Depreciation	<u>58,587</u>	<u>61,040</u>	<u>(2,453)</u>	-4.02%
Total expenses	<u>224,338</u>	<u>211,117</u>	<u>13,221</u>	6.26%
Change in net assets	75,153	52,756	22,397	42.45%
Beginning net assets	664,451	611,695	52,756	8.62%
Ending net assets	<u>\$ 739,604</u>	<u>\$ 664,451</u>	<u>\$ 75,153</u>	11.31%

Operating revenues showed a 16.57% increase from 2011 to 2012. Operating expenses increased by 6.26%. The increase in expenses is due to increased maintenance contract expenses and repeaters bought and given to other entities as part of the Districts services. Operating revenues increase primarily due to due to increased funding from TECB operations.

## CAPITAL ASSETS

At the end of the fiscal year 2012, the system had \$145 thousand (net of accumulated depreciation) invested in a broad range of District capital assets. This investment includes automobiles, equipment and various fixtures and pieces of furniture. Based on the uses of the aforementioned assets, they are classified for financial purposes as furniture and fixtures, office equipment, communication equipment and vehicles. This investment represents an overall decrease (net of increases and decreases) of \$48 thousand or 24.84% from last year.

The following tables summarize the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2012.

	2012	2011	\$	%
Furniture and fixtures	\$ 21,859	\$ 24,900	\$ (3,041)	-12.21%
Office equipment	2,685	4,118	(1,433)	-34.80%
Communication equipment	120,675	164,207	(43,532)	-26.51%
Vehicles	-	-	-	0.00%
Total capital assets, net of accumulated depreciation	<u>\$ 145,219</u>	<u>\$ 193,225</u>	<u>\$ (48,006)</u>	-24.84%

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Due to the increase of wireless devices, the District expects the shared wireless revenue to continue, and to increase in future years. The District's surcharge for each wireless device will continue to be \$1.00 due to the States standards. Due to the decrease of landline/wired phones, the District expects the emergency telephone service charge revenue to decrease throughout the years to come. The District's surcharge is currently set at \$.65 for residential lines and \$2.00 for business lines.

## CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Executive Director of the Chester County Emergency Communications District, PO Box 34, Henderson, Tennessee 38340.

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF NET ASSETS**  
June 30, 2011

**Assets**

Current assets

Cash and cash equivalents	\$ 253,313
Certificates of deposit	315,841
Accounts receivable	17,821
Prepaid expenses	<u>10,814</u>
<b>Total current assets</b>	<b><u>597,789</u></b>

Noncurrent Assets

Capital assets

Furniture and fixtures	31,844
Office equipment	14,528
Communication equipment	330,871
Vehicles	<u>17,900</u>
	395,143
Less accumulated depreciation	<u>(249,924)</u>
<b>Total capital assets</b>	<b><u>145,219</u></b>

**743,008**

**Liabilities and Net Assets**

Current Liabilities

Accounts payable	150
Payroll payable	2,773
Compensated absences payable	<u>481</u>
<b>Total current liabilities</b>	<b><u>3,404</u></b>

3,404

Net Assets

Investment in capital assets	145,219
Unrestricted net assets	<u>594,385</u>

**\$ 739,604**

*The accompanying notes are an integral part of the financial statements.*

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

For the Year Ended June 30, 2012

**Operating Revenues**

Emergency telephone service charge	\$ 64,054
State Emergency Communications Board - shared wireless charge	40,017
State Emergency Communications Board - operational funding	<u>187,267</u>
Total operating revenues	<u>291,338</u>

**Operating Expenses**

Salaries and wages	69,544
Employee benefits	5,644
Contracted services	64,662
Supplies and materials	14,637
Other charges	11,264
Depreciation	<u>58,587</u>
Total operating expenses	<u>224,338</u>

Operating income	<u>67,000</u>
------------------	---------------

**Non-operating Revenues**

Interest income	7,510
Miscellaneous revenue	<u>643</u>
Total nonoperating revenues	<u>8,153</u>

<b>Changes in net assets</b>	<b>75,153</b>
------------------------------	---------------

Net Assets, July 1, 2011	<u>664,451</u>
--------------------------	----------------

Net Assets, June 30, 2012	<u>\$ 739,604</u>
---------------------------	-------------------

*The accompanying notes are an integral part of the financial statements.*

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2012

<b>Cash flows from operating activities:</b>	
Cash received from services	\$ 279,113
Cash paid to suppliers of goods and services	(98,195)
Cash paid for employees' services	<u>(76,950)</u>
Net cash provided by operating activities	<u>103,968</u>
 <b>Cash flows from non-capital financing activities:</b>	
Miscellaneous revenue	<u>643</u>
Net cash provided by non-capital financing activities	<u>643</u>
 <b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	<u>(10,581)</u>
Net cash used by financing activities	<u>(10,581)</u>
 <b>Cash flows from investing activities:</b>	
Purchase of investments	(315,841)
Sale of investments	310,305
Interest on investments	<u>7,510</u>
Net cash provided by investing activities	<u>1,974</u>
 <b>Net increase (decrease) in cash</b>	 <b>96,004</b>
Cash and cash equivalents, July 1, 2011	<u>157,309</u>
Cash and cash equivalents, June 30, 2012	<u>\$ 253,313</u>
 <b>Reconciliation of operating income to</b>	
net cash provided by operating activities:	
Operating income	\$ 67,000
Adjustments to reconcile operating income to	
net cash provided by operating activities:	
Depreciation	58,587
Changes in assets and liabilities:	
Accounts receivable	(12,225)
Accounts payable	<u>(4,430)</u>
Net cash provided by operating activities	<u>\$ 103,968</u>

*The accompanying notes are an integral part of the financial statements.*

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Chester County Emergency Communications District (the District) was created under *Tennessee Code Annotated (TCA) 7-86-109 et. Seq., Emergency Communications District Law* in November 1992.

The purpose of the District is to provide a simplified means of securing emergency services by telephone to those persons living in the County.

The District is considered a component unit of the County because the Board of Directors of the District is appointed by the County Commission. The County Commission must approve any debt issued by the District.

**B. Measurement Focus, Basis and Accounting and Financial Statement Presentation**

The accounting policies of the District conform to generally accepted accounting principles applicable to government as defined in the *Statements of Governmental Accounting Standards board* (GASB). The District also elected to apply generally accepted accounting principles as defined by *Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions* and *Accounting Research Bulletins* issued on or before November 30, 1989. After that date the District has elected to apply only GASB pronouncements. The following is a summary of the more significant accounting policies.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District is considered an enterprise fund, which uses the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with this activity are included on their statement of net assets. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

**C. Assets, Liabilities and Net Assets**

**Deposits and investments**

Cash and cash equivalents are considered to be all demand deposits and other deposits with original maturities of three months or less.

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

State statutes allow investments in obligations of the U.S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest of the United States of any of its agencies, repurchases agreements, the Tennessee Local Government Investment Pool and certificates of deposit.

**Accounts receivable and credit risk**

Accounts receivable primarily represents amounts due from AT&T and other telephone companies less applicable commissions, and state TECB funding.

**Capital assets**

The capital assets are recorded at historical cost. Maintenance, repairs and minor renewals are expensed as incurred. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. Any purchase of equipment, either for office or system use, purchased at a price in excess of \$10,000 and with an expected life span of at least 5 years shall be considered a Capital Asset and carried on the books as such.

Depreciation has been provided over the estimated useful lives of the fixed assets by the straight-line method.

**Compensated absences**

The District allows one weeks of vacation to full-time employees per year. Employees receive full reimbursement for unused vacation upon leaving the employment of the District.

The District allows employees to accrue one day per month sick leave with accrual of no more than 36 days. Employees are not reimbursed for any portion of unused sick leave upon leaving the employment of the District. Therefore, no liability is reflected in the financial statements.

**Net assets**

Net assets are classified for reporting purposes as unrestricted and invested in capital assets. There are currently no restrictions on net assets.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Compliance**

The District adopts a budget in accordance with the requirements of the Tennessee Emergency Communication Board and the Tennessee Code Annotated §7-86-120. This budget is adopted on a basis of accounting in accordance with generally accepted accounting principles. In addition, the District adopts a separate budget for capitalized expenditures. Expenditures are required to be within budgetary limits at the line-item level of control.

**NOTE 3 – DETAILED NOTES ON ACCOUNTS**

**A. Deposits and Investments**

The District's policies limit deposits and investments to those instruments allowed by applicable

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2012

state laws and described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2012, \$500,000 of the District's bank balance was covered by federal depository insurance, and the remaining bank balance of \$76,359 was covered by the Tennessee Bank Collateral Pool.

**B. Capital Assets**

Capital asset activity for the year was as follows:

Description	Balance 7/1/2011	Additions	Disposals	Balance 6/30/12
Capital assets, being depreciated				
Furniture and fixtures	\$ 31,844	\$ -	\$ -	\$ 31,844
Office equipment	14,528	-	-	14,528
Communication equipment	320,290	10,581	-	330,871
Vehicles	17,900	-	-	17,900
Total capital assets being depreciated	<u>\$ 384,562</u>	<u>\$ 10,581</u>	<u>\$ -</u>	<u>\$ 395,143</u>
Less accumulated depreciation				
Furniture and fixtures	6,945	3,040		9,985
Office equipment	10,409	1,433	-	11,842
Communication equipment	156,083	54,114		210,197
Vehicles	17,900	-	-	17,900
Total accumulated depreciation	<u>191,337</u>	<u>58,587</u>	<u>-</u>	<u>249,924</u>
Total capital assets, net	<u>\$ 193,225</u>	<u>\$ (48,006)</u>	<u>\$ -</u>	<u>\$ 145,219</u>

Depreciation is recognized over the estimated useful lives of the property and equipment of 3 to 10 years using the straight-line method.

**NOTE 4 – OTHER INFORMATION**

**A. Funding Sources**

Funding for the District's operations is provided by monthly fees from service users in the County and by monthly fees from wireless cellular phone subscribers. AT&T and alternate local exchange

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

carriers collect service fees from the county users and remit the funds to the District. The Tennessee Emergency Communications Board collects monthly service fees from wireless cellular phone subscribers and remits a set percentage to the District.

**B. Retirement Plan**

**Plan description**

Employees of the District 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 benefits is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became 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, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

**Funding policy**

The District requires employees to contribute 5.0 percent of earnable compensation.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 3.21% percent of annual covered payroll. The contribution requirements of plan members are set by state statute. Contribution requirements for the District are established and may be amended by the TCRS Board of Trustees.

**Annual pension cost**

For the year ending June 30, 2012, the District's annual pension cost of \$1,015 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the April 1, 2011 initial actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a five-year period. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 20 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
June 30, 2011	\$ 1,015	100%	\$ -

**Funded status and funding progress**

As of April 1, 2011, the initial actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$3,905, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,905, and the ratio of the UAAL to the covered payroll was 15.53 percent.

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

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

Actuarial Valuation	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Date	(a)	(b)	(b)-(a)	(a/b)	( c )	((b-a)/c)
April 1, 2011	\$ -	\$ 3,905	\$ 3,905	0.00%	\$ 25,140	15.53%

**C. Risk Management**

The District is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the District to purchase commercial insurance for the risks of general liability, vehicle liability employee dishonesty, worker's compensation and physical damage to its fixed assets. Settled claims have not exceeded this commercial coverage or in any coverage of the past three years.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
For the Year Ended June 30, 2012

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b)-(a)	(a/b)	( c )	((b-a)/c)
April 1, 2011	\$ -	\$ 3,905	\$ 3,905	0.00%	\$25,140	15.53%

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

## **OTHER SUPPLEMENTAL SECTION**

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)**

For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Under (Over)</u>
<b>Operating Revenues</b>				
Emergency telephone service charge	55,000	57,000	\$ 64,054	\$ 7,054
TECB - share wireless charge	25,000	32,000	40,017	8,017
TECB - operational funding	<u>183,791</u>	<u>183,791</u>	<u>187,267</u>	<u>3,476</u>
	<u>263,791</u>	<u>272,791</u>	<u>291,338</u>	<u>18,547</u>
<b>Operating Expenses</b>				
Salaries and wages				
Director	31,628	31,628	31,628	-
Dispatchers	30,000	30,000	30,000	-
Part-time personnel	12,500	12,500	7,716	4,784
Pay bonuses	-	200	200	-
Total salaries and wages	<u>74,128</u>	<u>74,328</u>	<u>69,544</u>	<u>4,784</u>
Employee benefits				
Social security/Medicare	2,600	2,600	2,398	202
Medicare	609	609	573	36
Medical insurance	1,800	1,800	1,658	142
Unemployment compensation	275	350	-	350
Retirement contributions	<u>2,200</u>	<u>3,650</u>	<u>1,015</u>	<u>2,635</u>
Total employee benefits	<u>7,484</u>	<u>9,009</u>	<u>5,644</u>	<u>3,365</u>
Contracted services				
Addressing	4,759	1,000	447	553
Advertising	100	100	37	63
Audit services	3,700	3,700	3,640	60
Accounting services	2,100	2,100	2,050	50
Fees paid to service providers	40,000	30,000	25,779	4,221
Legal services	100	100	-	100
Maintenance agreements	15,000	25,000	18,901	6,099
Other consultants	1,000	1,000	-	1,000
Maintenance and repairs:				
Communications equipment	16,000	11,000	10,693	307
Office equipment	2,000	2,000	1,210	790
Vehicles	5,000	5,000	294	4,706
Fuel-vehicles	<u>2,500</u>	<u>2,500</u>	<u>1,611</u>	<u>889</u>
Total contracted services	<u>\$ 92,259</u>	<u>\$ 83,500</u>	<u>\$ 64,662</u>	<u>\$ 18,838</u>

*See independent auditor's report.*

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Under (Over)</u>
Supplies and materials				
Office supplies	\$ 2,500	\$ 2,000	\$ 1,098	\$ 902
Postage	200	200	134	66
Small equipment purchases	5,000	13,000	10,956	2,044
Utilities:				
General telephone	2,500	1,500	1,141	359
Cell phones and pagers	2,000	1,600	1,308	292
Total Supplies and Materials	<u>12,200</u>	<u>18,300</u>	<u>14,637</u>	<u>3,663</u>
Other charges				
Bank charges	100	100	63	37
Dues and memberships	1,000	700	606	94
Insurance:				
Worker's compensation	-	350	317	33
Vehicles	1,500	1,100	974	126
Premiums on surety bonds	1,000	1,500	1,057	443
Public education	600	1,500	1,439	61
Training expenses	8,000	8,000	1,725	6,275
Travel expenses	3,000	1,500	484	1,016
Internet	1,000	2,650	2,602	48
Other charges	600	11,600	1,997	9,603
Total other charges	<u>16,800</u>	<u>29,000</u>	<u>11,264</u>	<u>17,736</u>
Depreciation	<u>11,472</u>	<u>61,040</u>	<u>58,587</u>	<u>2,453</u>
Total operating expenses	<u>214,343</u>	<u>275,177</u>	<u>224,338</u>	<u>50,839</u>
Operating income (loss)	<u>49,448</u>	<u>(2,386)</u>	<u>67,000</u>	<u>69,386</u>
<b>Non-Operating Revenues</b>				
Interest income	2,000	2,000	7,510	5,510
Miscellaneous revenue	-	-	643	643
Total nonoperating revenues	<u>2,000</u>	<u>2,000</u>	<u>8,153</u>	<u>6,153</u>
<b>Changes in net assets</b>	<b>51,448</b>	<b>(386)</b>	<b>75,153</b>	<b>75,539</b>
Net Assets, July 1, 2011	<u>664,451</u>	<u>664,451</u>	<u>664,451</u>	<u>-</u>
Net Assets, June 30, 2012	<u>\$ 715,899</u>	<u>\$ 664,065</u>	<u>\$ 739,604</u>	<u>\$ 75,539</u>

*See independent auditor's report.*

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
BUDGETARY COMPARISON SCHEDULE - CAPITAL EXPENDITURES**

For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Under (Over)</u>
Proposed New Capital Projects Communications equipment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,581</u>	<u>\$ (10,581)</u>

*See independent auditor's report.*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



Certified Public Accountants

[www.atacpa.net](http://www.atacpa.net)

227 Oil Well Road  
Jackson, TN 38305

Telephone: (731) 427-8571  
Fax: (731) 424-5701

Members of

American Institute of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

**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***

Board of Directors  
Chester County Emergency Communications District  
Henderson, Tennessee

We have audited the financial statements of Chester County Emergency Communications District (a component unit of Chester County, Tennessee) (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated August 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors  
Chester County Emergency Communications District  
Henderson, Tennessee

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of the district in a separate letter dated August 9, 2012.

This report is intended solely for the information and use of the District's Board of Directors, management and the Comptroller of the Treasury, State of Tennessee. It is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants  
Henderson, Tennessee  
August 9, 2012

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES**

June 30, 2012

**FINANCIAL STATEMENT FINDINGS**

**Prior year findings:**

11-01 Condition – The district did not have sufficient fidelity bond coverage in effect for certain employees and Board members at year ended June 30, 2011. (Corrected)

**Current Year Findings**

None