

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**CHESTER COUNTY EMERGENCY  
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## **INTRODUCTORY SECTION**

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
JUNE 30, 2013**

**SCHEDULE OF OFFICIALS**

Johny Farris, Chairman  
Blair Weaver, Vice-Chairman  
Renee Phelps  
Tim Crowe  
Robert W. King  
Jim Vest  
Glenn Bryan  
Bill Moore  
Al McKinnon

**Management Official**

Patricia Ledford, Director  
Misty Walker, District Secretary

**Independent Certified Public Accountants**

Alexander Thompson Arnold PLLC  
Henderson, Tennessee

## **FINANCIAL SECTION**

**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



Certified Public Accountants  
**Offices in Tennessee & Kentucky**

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Jackson, TN 38305

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## Independent Auditor's Report

Board of Directors  
Chester County Communications District  
Henderson, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the Chester County Emergency Communications District, a component unit of Chester County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District'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 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 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 financial position of the Chester County Emergency Communications District, as of June 30, 2013, and the changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 4-7 and 17 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Chester County Emergency Communication District's basic financial statements. The schedule of officials and the budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison 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. 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 budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2013 on our consideration of the Chester County Emergency Communications 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 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 Emergency Communications District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Alerah Thompson" followed by some illegible initials or a flourish.

Certified Public Accountants  
Jackson, Tennessee  
August 16, 2013

## **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, 2013. 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 \$1.09 million and exceeded liabilities in the amount of \$1.09 million (i.e. net position). Total assets increased by \$348 thousand. Due to purchase of equipment upgrades with capital funding from TECB.
- Net position increased \$349 thousand during the current year. Increase was also primarily due to purchase of equipment upgrades with capital funding from TECB.
- Operating revenues were \$345 thousand, an increase from year 2012 in the amount of \$53 thousand or 18.36%. Due to increased operations funding from TECB.
- Operating expenses were \$255 thousand, an increase from year 2012 in the amount of \$31 thousand or 13.83%. Increase primarily due to increased depreciation in association with recent upgrades to the districts assets.
- The operating income for the year was \$89 thousand as compared to a \$67 thousand operating income during the 2012 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 Position* presents the financial position of the District on a full accrual, historical cost basis. The statement of net position includes all of the District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. 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 Position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position 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 Position and the Statement of Revenues, Expenses and Changes in Fund Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and the changes in the net position. Net position is one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net position is 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 position increased by \$349 thousand for the fiscal year ended June 30, 2013. The analysis below focuses on the District's net position (Table 1) and changes in net position (Table 2) during the year.

Table 2A  
**CONDENSED STATEMENT NET POSITION**

	June 30, 2013	June 30, 2012	\$	%
Current and other assets	\$ 781,713	\$ 597,789	\$ 183,924	30.77%
Capital assets	308,853	145,219	163,634	112.68%
Total assets	<u>1,090,566</u>	<u>743,008</u>	<u>347,558</u>	46.78%
Total liabilities	<u>1,975</u>	<u>3,404</u>	<u>(1,429)</u>	-41.98%
Net investment in capital assets	308,853	145,219	163,634	112.68%
Unrestricted net position	<u>779,738</u>	<u>594,385</u>	<u>185,353</u>	31.18%
Total net position	<u>\$ 1,088,591</u>	<u>\$ 739,604</u>	<u>\$ 348,987</u>	47.19%

The changes in capital assets were primarily funded by capital contributions from the Tennessee Emergency Communications Board's (TECB). These funds were from TECB reimbursement money allotted for each district for emergency communications systems upgrades.

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

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

	June 30, 2013	June 30, 2012	Increase (Decrease)	
			\$	%
Operating revenues	\$ 344,831	\$ 291,338	\$ 53,493	18.36%
Non-operating revenues	6,594	8,153	(1,559)	-19.12%
Total revenues	<u>351,425</u>	<u>299,491</u>	<u>51,934</u>	17.34%
Salaries and wages	77,084	69,544	7,540	10.84%
Employee benefits	5,980	6,091	(111)	-1.82%
Contracted services	68,537	64,215	4,322	6.73%
Supplies and materials	16,946	14,700	2,246	15.28%
Other charges	9,126	11,201	(2,075)	-18.53%
Depreciation	77,698	58,587	19,111	32.62%
Total expenses	<u>255,371</u>	<u>224,338</u>	<u>31,033</u>	13.83%
Income before capital contributions	96,054	75,153	20,901	27.81%
Capital contributions from TECB	<u>252,933</u>	<u>-</u>	<u>252,933</u>	100.00%
Change in net position	348,987	75,153	20,901	27.81%
Beginning net position	739,604	664,451	75,153	11.31%
Ending net position	<u>\$ 1,088,591</u>	<u>\$ 739,604</u>	<u>\$ 348,987</u>	47.19%

Operating revenues showed an 18.36% increase from 2012 to 2013. Operating revenues increase primarily due to increased funding from TECB operations. Operating expenses increased by 13.83%. The increase in expenses is primarily due to increased depreciation in association with recent upgrades to the districts assets.

**CAPITAL ASSETS**

At the end of the fiscal year 2013, the system had \$309 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 increase (net of increases and decreases) of \$164 thousand or 112.68% 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, 2013.

	<u>2013</u>	<u>2012</u>	<u>\$</u>	<u>%</u>
Furniture and fixtures	\$ 18,819	\$ 21,859	\$ (3,040)	-13.91%
Office equipment	1,691	2,685	(994)	-37.02%
Communication equipment	288,343	120,675	167,668	138.94%
Vehicles	-	-	-	0.00%
Total capital assets, net of accumulated depreciation	<u>\$ 308,853</u>	<u>\$ 145,219</u>	<u>\$ 163,634</u>	112.68%

**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 State's 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 POSITION**  
June 30, 2013

**Assets**

Current assets

Cash and cash equivalents	\$ 426,623
Certificates of deposit	318,458
Accounts receivable	25,119
Prepaid expenses	<u>11,513</u>
Total current assets	<u>781,713</u>

Noncurrent Assets

Capital assets

Furniture and fixtures	31,844
Office equipment	6,914
Communication equipment	508,489
Vehicles	<u>17,900</u>
	565,147
Less accumulated depreciation	<u>(256,294)</u>
Total capital assets	<u>308,853</u>

**Total assets** **1,090,566**

**Liabilities**

Current Liabilities

Payroll payable	1,176
Compensated absences payable	<u>799</u>
Total current liabilities	<u>1,975</u>

**Total Liabilities** **1,975**

**Net Position**

Net investment in capital assets	308,853
Unrestricted net position	<u>779,738</u>
<b>Total net position</b>	<b><u>\$ 1,088,591</u></b>

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

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Year Ended June 30, 2013

<b>Operating Revenues</b>	
Emergency telephone service charge	\$ 59,056
State Emergency Communications Board - shared wireless charge	48,443
State Emergency Communications Board - operational funding	<u>237,332</u>
Total operating revenues	<u>344,831</u>
 <b>Operating Expenses</b>	
Salaries and wages	77,084
Employee benefits	5,980
Contracted services	68,537
Supplies and materials	16,946
Other charges	9,126
Depreciation	<u>77,698</u>
Total operating expenses	<u>255,371</u>
 Operating income	 <u>89,460</u>
 <b>Non-operating Revenues</b>	
Interest income	4,442
Miscellaneous revenue	<u>2,152</u>
Total nonoperating revenues	<u>6,594</u>
 Income before captial contributions	 96,054
 <b>Capital Contributions</b>	
Capital contributions from TECB	<u>252,933</u>
 <b>Changes in net position</b>	 <b>348,987</b>
 Net position, July 1, 2012	 <u>739,604</u>
 Net position, June 30, 2013	 <u>\$ 1,088,591</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, 2013

<b>Cash flows from operating activities:</b>	
Cash received from services	\$ 339,685
Cash paid to suppliers of goods and services	(95,458)
Cash paid for employees' services	<u>(84,343)</u>
Net cash provided by operating activities	<u>159,884</u>
 <b>Cash flows from capital and related financing activities:</b>	
Capital contributions	252,933
Acquisition of capital assets	<u>(241,332)</u>
Net cash provided by financing activities	<u>11,601</u>
 <b>Cash flows from investing activities:</b>	
Purchase of investments	(318,458)
Sale of investments	315,841
Interest on investments	<u>4,442</u>
Net cash provided by investing activities	<u>1,825</u>
 <b>Net increase (decrease) in cash</b>	 <b>173,310</b>
Cash and cash equivalents, July 1, 2012	<u>253,313</u>
Cash and cash equivalents, June 30, 2013	<u>\$ 426,623</u>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 89,460
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	77,698
Miscellaneous revenue	2,152
Changes in assets and liabilities:	
Accounts receivable	(7,298)
Prepaid expenses	(699)
Accounts payable	(1,747)
Compensated absences	<u>318</u>
Net cash provided by operating activities	<u>\$ 159,884</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 District is accounted for as a single enterprise fund as prescribed by the State. Enterprise funds are a type of proprietary fund, and as such, are reported in accordance with generally accepted accounting principles for proprietary funds as defined by the *Governmental Audit Standards Board (GASB)*. Proprietary fund types are reported using the economic resources measurement focus and the accrual basis of accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entities net position. The accrual basis of accounting recognizes income as it is earned and expenses as they are incurred, whether or not cash is received or paid out at that time.

Operating revenues in proprietary funds are those revenues generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. The State has defined grants and reimbursements from TECB to be non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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

**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.

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 telephone companies less applicable commissions, and state TECB funding.

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

**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 capital assets by the straight-line method.

**Compensated absences**

The District allows two 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.

**Deferred Outflows/Inflows of Resources**

During the year ended June 30, 2013, the district adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of the statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category as of June 30, 2013.

**Net Position Flow Assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It

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

is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**Net position**

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

**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 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 and the state pooled investment fund. 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, 2013, \$500,000 of the District's bank balance was covered by federal depository insurance, and the remaining bank balance of \$247,146 was covered by the Tennessee Bank Collateral Pool.

**B. Capital Assets**

Capital asset activity for the year was as follows:

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

Description	Balance 7/1/2012	Additions	Disposals	Balance 6/30/13
<b>Capital assets, being depreciated</b>				
Furniture and fixtures	\$ 31,844	\$ -	\$ -	\$ 31,844
Office equipment	14,528	-	7,614	6,914
Communication equipment	330,871	241,332	63,714	508,489
Vehicles	17,900	-	-	17,900
Total capital assets being depreciated	<u>\$ 395,143</u>	<u>\$ 241,332</u>	<u>\$ 71,328</u>	<u>\$ 565,147</u>
<b>Less accumulated depreciation</b>				
Furniture and fixtures	9,985	3,041		13,026
Office equipment	11,842	994	7,614	5,222
Communication equipment	210,197	73,663	63,714	220,146
Vehicles	17,900	-	-	17,900
Total accumulated depreciation	<u>249,924</u>	<u>77,698</u>	<u>71,328</u>	<u>256,294</u>
Total capital assets, net	<u>\$ 145,219</u>	<u>\$ 163,634</u>	<u>\$ -</u>	<u>\$ 308,853</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. Major and alternate local exchange 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 voice over internet protocol services 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

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

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/ps>.

**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, 2013 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, 2013, the District's annual pension cost of \$941 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 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 ten-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, 2009 was 0 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, 2012	\$ 1,015	100%	\$ -
June 30, 2011	\$ -	100%	\$ -
June 30, 2010	\$ -	100%	\$ -

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

**Funded status and funding progress**

As of July 1, 2011, the most recent actuarial valuation date available, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$0.00 million, and the actuarial value of assets was \$0.00 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.00 million. The covered payroll (annual payroll of active employees covered by the plan) \$0.00 million, and the ratio of the UAAL to the covered payroll was 0.00 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.

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$ -	\$ -	\$ -	0.00%	\$ -	0.00%
July 1, 2009	\$ -	\$ -	\$ -	0.00%	\$ -	0.00%
July 1, 2007	\$ -	\$ -	\$ -	0.00%	\$ -	0.00%

**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 capital 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, 2013

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)
July 1, 2011	\$ -	\$ -	\$ -	0.00%	\$ -	0%
July 1, 2009	\$ -	\$ -	\$ -	0.00%	\$ -	0%
July 1, 2007	\$ -	\$ -	\$ -	0.00%	\$ -	0%

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.

*See independent auditor's report.*

**OTHER SUPPLEMENTAL SECTION**

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

For the Year Ended June 30, 2013

	<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	50,400	\$ 59,056	\$ 8,656
TECB - share wireless charge	32,000	37,000	48,443	11,443
TECB - operational funding	<u>186,991</u>	<u>220,922</u>	<u>237,332</u>	<u>16,410</u>
	<u>273,991</u>	<u>308,322</u>	<u>344,831</u>	<u>36,509</u>
<b>Operating Expenses</b>				
<b>Salaries and wages</b>				
Director	33,840	33,840	29,635	4,205
Dispatchers	30,000	30,000	30,000	-
Administrative personnel	<u>12,500</u>	<u>17,500</u>	<u>17,449</u>	<u>51</u>
Total salaries and wages	<u>76,340</u>	<u>81,340</u>	<u>77,084</u>	<u>4,256</u>
<b>Employee benefits</b>				
Social security	2,873	2,873	2,798	75
Medicare	672	672	562	110
Medical insurance	1,800	1,800	1,638	162
Unemployment compensation	350	350	41	309
Retirement contributions	<u>3,650</u>	<u>3,650</u>	<u>941</u>	<u>2,709</u>
Total employee benefits	<u>9,345</u>	<u>9,345</u>	<u>5,980</u>	<u>3,365</u>
<b>Contracted services</b>				
Addressing	1,000	500	-	500
Advertising	100	2,800	2,749	51
Audit services	3,800	3,800	3,785	15
Accounting services	2,100	2,100	1,500	600
Fees paid to service providers	27,000	24,000	22,894	1,106
Maintenance agreements	25,000	20,000	19,228	772
Mapping/DataBase - Consultant	-	8,500	8,145	355
<b>Maintenance and repairs:</b>				
Communications equipment	11,000	9,000	8,100	900
Buildings and Facilities	-	100	83	17
Office equipment	1,500	700	440	260
Vehicles	5,000	2,000	427	1,573
Fuel-vehicles	<u>2,000</u>	<u>2,000</u>	<u>1,186</u>	<u>814</u>
Total contracted services	<u>\$ 78,500</u>	<u>\$ 75,500</u>	<u>\$ 68,537</u>	<u>\$ 6,963</u>

*See independent auditor's report.*

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

For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Under (Over)</u>
Supplies and materials				
Office supplies	\$ 2,000	\$ 3,000	\$ 2,262	\$ 738
Postage	200	200	130	70
Small equipment purchases	5,000	12,000	11,684	316
Utilities:				
General telephone	2,500	2,500	1,490	1,010
Cell phones and pagers	1,500	1,500	1,380	120
Total Supplies and Materials	<u>11,200</u>	<u>19,200</u>	<u>16,946</u>	<u>2,254</u>
Other charges				
Bank charges	100	100	68	32
Dues and memberships	700	1,200	1,260	(60)
Insurance:				
Worker's compensation	350	350	313	37
Vehicles	1,000	1,200	990	210
Premiums on surety bonds	1,500	1,000	880	120
Public education	1,500	1,500	670	830
Training expenses	1,800	1,800	1,566	234
Travel expenses	1,000	2,000	1,186	814
Internet	2,500	2,500	1,928	572
Other charges	1,000	300	265	35
Total other charges	<u>11,450</u>	<u>11,950</u>	<u>9,126</u>	<u>2,824</u>
Depreciation	<u>61,040</u>	<u>80,000</u>	<u>77,698</u>	<u>2,302</u>
Total operating expenses	<u>247,875</u>	<u>277,335</u>	<u>255,371</u>	<u>21,964</u>
Operating income (loss)	<u>26,116</u>	<u>30,987</u>	<u>89,460</u>	<u>58,473</u>
<b>Non-Operating Revenues</b>				
Interest income	(2,000)	(2,000)	4,442	6,442
Miscellaneous revenue	-	-	2,152	2,152
Total nonoperating revenues	<u>(2,000)</u>	<u>(2,000)</u>	<u>6,594</u>	<u>8,594</u>
Income before capital contributions	24,116	28,987	96,054	67,067
Capital Contributions				
Capital contributions from TECB	<u>198,369</u>	<u>231,000</u>	<u>252,933</u>	<u>21,933</u>
<b>Changes in net position</b>	<b>222,485</b>	<b>259,987</b>	<b>348,987</b>	<b>89,000</b>
Net position, July 1, 2012	<u>739,604</u>	<u>739,604</u>	<u>739,604</u>	<u>-</u>
Net position, June 30, 2013	<u>\$ 962,089</u>	<u>\$ 999,591</u>	<u>\$ 1,088,591</u>	<u>\$ 89,000</u>

*See independent auditor's report.*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

Board of Directors  
Chester County Emergency Communications District  
Henderson, Tennessee

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 Chester County Emergency Communications District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Chester County Emergency Communications District's basic financial statements, and have issued our report thereon dated August 16, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Chester County Emergency Communications District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chester County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Chester County Emergency Communications District'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Chester County Emergency Communications District'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*.

We noted a certain matter that we reported to management of the District in a separate letter dated August 16, 2013.

#### **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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Jackson, Tennessee  
August 16, 2013

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2013**

**FINANCIAL STATEMENT FINDINGS**

**Prior year findings:**

None reported.

**Current Year Findings**

None reported.