

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

**FINANCIAL STATEMENTS**

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

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

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
JUNE 30, 2015**

**SCHEDULE OF OFFICIALS**

Blair Weaver, Chairman  
Tim Crowe, Vice-Chairman  
Renee Phelps  
John Farris  
Jerry King  
Stacy Smith  
Glenn Bryan  
Bill Moore  
Al McKinnon

**Management Official**

Patricia Ledford, Director

**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, 2015, 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 opinion.

## ***Opinion***

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, 2015, 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.

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

As discussed in Note 1, to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions made subsequent to the Measurement Date – an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

## ***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 net pension liability (asset) on pages 4-7 and 20 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 January 18, 2016 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.

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
January 18, 2016

## **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, 2015. 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 \$1.25 million and exceeded liabilities in the amount of \$1.25 million (i.e. net position and deferred inflows and outflow of resources). Total assets increased by \$77 thousand. Assets increased primarily due to cash increase from current year activity.
- Net position increased \$81 thousand during the current year.
- Operating revenues were \$278 thousand, a decrease from year 2014 in the amount of \$20 thousand or 6.80%, due to continued decreased operations funding from Tennessee Emergency Communications Board (TECB).
- Operating expenses were \$241 thousand, a decrease from year 2014 in the amount of \$29 thousand or 10.67%. Decrease primarily due strategic budget planning and increased awareness of expenditures.
- The operating income for the year was \$37 thousand as compared to \$28 thousand operating income during the 2014 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-term 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 \$81 thousand for the fiscal year ended June 30, 2015. 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, 2015	June 30, 2014	Increase (Decrease)	
			\$	%
Current and other assets	\$ 1,045,266	\$ 910,087	\$ 135,179	14.85%
Capital assets	203,659	262,207	(58,548)	-22.33%
Total assets	<u>1,248,925</u>	<u>1,172,294</u>	<u>76,631</u>	6.54%
Deferred outflows of resources	<u>5,591</u>	<u>-</u>	<u>5,591</u>	100.00%
Total liabilities	<u>6,943</u>	<u>6,328</u>	<u>615</u>	9.72%
Deferred inflows of resources	<u>349</u>	<u>-</u>	<u>349</u>	100.00%
Investment in capital assets	203,659	262,207	(58,548)	-22.33%
Unrestricted net position	<u>1,043,565</u>	<u>903,759</u>	<u>139,806</u>	15.47%
Total net position	<u>\$ 1,247,224</u>	<u>\$ 1,165,966</u>	<u>\$ 81,258</u>	6.97%

Capital assets decreased primarily due to few additions in the current year and continued depreciation on assets placed in service in prior years.

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 NET POSITION**

	June 30, 2015	June 30, 2014	Increase (Decrease)	
			\$	%
Operating revenues	\$ 278,140	\$ 298,441	\$ (20,301)	-6.80%
Non-operating revenues	44,138	8,690	35,448	407.92%
Total revenues	<u>322,278</u>	<u>307,131</u>	<u>15,147</u>	4.93%
Salaries and wages	86,512	89,000	(2,488)	-2.80%
Employee benefits	8,623	7,719	904	11.71%
Contracted services	51,300	62,721	(11,421)	-18.21%
Supplies and materials	22,947	20,524	2,423	11.81%
Other charges	13,427	15,507	(2,080)	-13.41%
Depreciation	<u>58,548</u>	<u>74,714</u>	<u>(16,166)</u>	-21.64%
Total expenses	<u>241,357</u>	<u>270,185</u>	<u>(28,828)</u>	-10.67%
Income before capital contributions	80,921	36,946	43,975	119.03%
Capital contributions from TECB	-	40,429	(40,429)	-100.00%
Change in net position	<u>80,921</u>	<u>77,375</u>	<u>43,975</u>	119.03%
Beginning net position	1,165,966	1,088,591	77,375	7.11%
Restatement of beginning net position	<u>337</u>	-	<u>337</u>	100.00%
Adjusted beginning net position	<u>1,166,303</u>	<u>1,088,591</u>	<u>77,712</u>	7.14%
Ending net position	<u>\$ 1,247,224</u>	<u>\$ 1,165,966</u>	<u>\$ 81,258</u>	6.97%

- Operating revenues showed a 6.80% decrease from 2014 to 2015. Operating revenues decrease primarily due to decreased funding from TECB operations. Operating expenses decreased by 10.67%. The decrease in expenses is primarily due to strategic budget planning and increased awareness of expenditures.

## **CAPITAL ASSETS**

At the end of the fiscal year 2015, the system had \$204 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 \$59 thousand or 22.33% 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, 2015.

	<u>2014</u>	<u>2013</u>	<u>\$</u>	<u>%</u>
Furniture and fixtures	\$ 12,765	\$ 15,777	\$ (3,012)	-19.09%
Office equipment	280	976	(696)	-71.31%
Communication equipment	169,095	218,321	(49,226)	-22.55%
Vehicles	<u>21,519</u>	<u>27,133</u>	<u>(5,614)</u>	100.00%
Total capital assets being depreciated	<u>\$ 203,659</u>	<u>\$ 262,207</u>	<u>\$ (58,548)</u>	-22.33%

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

Due to new policies and practices, the District will only receive the surcharge wireless device fee from the TECB. The District's surcharge for each wireless device will continue to be \$1.16 due to the State's standards.

## **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, 2015

**Assets**

Current assets

Cash and cash equivalents	\$ 550,645
Certificates of deposit	476,116
Prepaid expenses	<u>18,505</u>
Total current assets	<u>1,045,266</u>

Noncurrent assets

Capital assets

Furniture and fixtures	31,844
Office equipment	6,914
Communication equipment	508,489
Vehicles	<u>45,969</u>
Less accumulated depreciation	<u>(389,557)</u>
Total capital assets	<u>203,659</u>
<b>Total assets</b>	<b><u>1,248,925</u></b>

**Deferred Outflows of Resources**

Pension experience	2,722
Pension difference in projected and actual earnings	<u>2,869</u>
<b>Total deferred outflows of resources</b>	<b><u>5,591</u></b>

**Liabilities**

Current liabilities

Accounts payable	-
Payroll payable	1,066
Compensated absences payable	<u>2,250</u>
Total current liabilities	<u>3,316</u>

Non-current liabilities

Net pension liability	<u>3,627</u>
<b>Total liabilities</b>	<b><u>6,943</u></b>

**Deferred Inflows of Resources**

Pension experience	<u>349</u>
<b>Total deferred inflows of resources</b>	<b><u>349</u></b>

**Net Position**

Investment in capital assets	203,659
Unrestricted net position	<u>1,043,565</u>
<b>Total net position</b>	<b><u>\$ 1,247,224</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, 2015

**Operating Revenues**

Emergency telephone service charge	\$ 18,804
State Emergency Communications Board	<u>259,336</u>
Total operating revenues	<u>278,140</u>

**Operating Expenses**

Salaries and wages	86,512
Employee benefits	8,623
Contracted services	51,300
Supplies and materials	22,947
Other charges	13,427
Depreciation	<u>58,548</u>
Total operating expenses	<u>241,357</u>

Operating income	<u>36,783</u>
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**Non-operating Revenues**

Interest income	5,959
TECB grants and reimbursements	<u>38,179</u>
Miscellaneous revenue	<u>-</u>
Total nonoperating revenues	<u>44,138</u>

**Changes in net position**

**80,921**

Net position, July 1, 2014	1,165,966
Restatement of beginning net position	<u>337</u>
Net position, July 1, 2014 restated	<u>1,166,303</u>
Net position, June 30, 2015	<u>\$ 1,247,224</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, 2015

<b>Cash flows from operating activities:</b>	
Cash received from services	\$ 344,027
Cash paid to suppliers of goods and services	(95,605)
Cash paid for employees' services	<u>(96,190)</u>
Net cash provided by operating activities	<u>152,232</u>
<b>Cash flows from capital and related financing activities:</b>	
Capital contributions	<u>-</u>
Net cash provided by financing activities	<u>-</u>
<b>Cash flows from investing activities:</b>	
Purchase of investments	(476,116)
Sale of investments	471,480
Interest on investments	<u>5,959</u>
Net cash provided by investing activities	<u>1,323</u>
<b>Net increase (decrease) in cash</b>	<b>153,555</b>
Cash and cash equivalents, July 1, 2014	<u>397,090</u>
Cash and cash equivalents, June 30, 2015	<u>\$ 550,645</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 36,783
Adjustments to reconcile operating income to net cash provided by operating activities:	
TECB non-operating revenues	38,179
Depreciation	58,548
Changes in pension related outflows and inflows of resources	(5,242)
Changes in assets and liabilities:	
Accounts receivable	27,708
Prepaid expenses	(4,696)
Accounts payable	(3,235)
Net pension liability	3,964
Compensated absences	<u>223</u>
Net cash provided by operating activities	<u>\$ 152,232</u>

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

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

June 30, 2015

**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.

**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

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

June 30, 2015

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 salary employees per year. Salary 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.

**Impact of Recently Issued Accounting Pronouncements**

**Pensions.** 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 Emergency Communications District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Chester County Emergency Communications District'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.

**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 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 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

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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, 2015, \$500,000 of the District's bank balance was covered by federal depository insurance, and the remaining bank balance of \$527,292 was covered by the Tennessee Bank Collateral Pool.

**B. Capital Assets**

Capital asset activity for the year was as follows:

Description	Balance 7/1/2014	Additions	Disposals	Balance 6/30/2015
Capital assets, being depreciated				
Furniture and fixtures	\$ 31,844	\$ -	\$ -	\$ 31,844
Office equipment	6,914	-	-	6,914
Communication equipment	508,489	-	-	508,489
Vehicles	45,969	-	-	45,969
Total capital assets being depreciated	<u>593,216</u>	<u>-</u>	<u>-</u>	<u>593,216</u>
Less accumulated depreciation				
Furniture and fixtures	16,067	3,012	-	19,079
Office equipment	5,938	696	-	6,634
Communication equipment	290,168	49,226	-	339,394
Vehicles	18,836	5,614	-	24,450
Total accumulated depreciation	<u>331,009</u>	<u>58,548</u>	<u>-</u>	<u>389,557</u>
Total capital assets, net	<u>\$ 262,207</u>	<u>\$ (58,548)</u>	<u>\$ -</u>	<u>\$ 203,659</u>

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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. General Information about the Pension Plan**

**Plan description**

*Plan description.* Employees of Chester County Emergency Communications District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated 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 publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits provided.* Tennessee Code Annotated 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 5 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 at age 55 and vested. 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 10 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 2nd 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 3 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:

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2015

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>1</u>
	<u><u>1</u></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 5 percent of salary. Chester County Emergency Communications District 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 Emergency Communications District were \$1,273 based on a rate of 5 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Chester County Emergency Communications District'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 Emergency Communications District's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability 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 June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

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

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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 rates 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 rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
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%
		<hr/> 100%

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Chester County Emergency Communications District 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.

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/13	\$ 4,115	\$ 3,179	\$ 936
Changes for the year:			
Service cost	3,241		3,241
Interest	552		552
Differences between expected and actual experience	2,916		2,916
Contributions- employer		1,273	(1,273)
Contributions- employees		1,983	(1,983)
Net investment income		795	(795)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	(33)	33
Net changes	<u>6,709</u>	<u>4,018</u>	<u>2,691</u>
Balance at 6/30/14	<u>\$ 10,824</u>	<u>\$ 7,197</u>	<u>\$ 3,627</u>

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability (asset) of Chester County Emergency Communications District 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 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Chester County Emergency Communication District's net pension liability (asset)	\$ 6,171	\$ 3,627	\$ 1,628

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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

*Pension expense.* For the year ended June 30, 2015, Chester County Emergency Communications District recognized pension expense of \$1,591.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2015, Chester County Emergency Communications District 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	\$ 2,722	\$ -
Net difference between projected and actual earnings on pension plan investments	-	349
Contributions subsequent to the measurement date of June 30, 2014	2,869	-
	\$ 5,591	\$ 349

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (increase) to the net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:			
2016		\$	107
2017			107
2019			107
Thereafter			1,746

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

**Payable to the Pension Plan**

At June 30, 2015, *Chester County Emergency Communications District* reported a payable of \$3,627 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**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.

**D. Restatement of Beginning Net Position – GASB 68 Implementation**

As of July 1, 2014 a restatement of beginning net position was made for net pension liability and the net difference between projected and actual earnings on pension plan investments due to the System implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*. The implementation of GASB Statement No. 68 resulted in the System restating net position by \$337 with a measurement date of June 30, 2014. The net effect of this restatement of beginning net position resulted in a increase in the July 1, 2014 net position in the amount of \$337.

**NOTE 5 – OTHER MATTERS**

Effective January 1, 2015, service fees assessed to non-wireless telephone subscribers in the County are remitted by the collecting telephone companies directly to the Tennessee Emergency Communications Board (TECB). The TECB allocates the collected revenue by jurisdiction and makes payments to the local emergency communications districts. Prior to January 1, 2015, the District collected revenues from individual telephone companies one month in arrears of the time the charges were actually assessed to telephone subscribers and therefore always had one month of accrued, uncollected revenue receivable at the end of any month. At point of the change in the collection process mandated by the TECB, their decision was to account for revenues on an as-collected basis so the District did not and will not collect the accrued revenues for December, 2014. The effect of this change is to reflect only eleven months of revenue from non-wireless subscribers in the fiscal year ended June 30, 2015. This change did not affect operating cash flows as there were twelve months of actual collections of revenues.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF CHANGES IN PENSION LIABILITY(ASSET)  
AND RELATED RATIOS BASED ON PARTICIPATION IN THE  
PUBLIC EMPLOYEE PENSION PLAN TCRS**

Last Fiscal Year Ending June 30

	2014
<b>Total pension Liability</b>	
Service Cost	\$ 3,241
Interest	552
Changes in benefit terms	-
Differences between actual & expected experience	2,916
Change of assumptions	-
Benefit payments, including refunds of employee contributions	-
<b>Net change in total pension liability</b>	6,709
<b>Total pension liability - beginning</b>	4,115
<b>Total pension liability - ending (a)</b>	\$ 10,824
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 1,273
Contributions - employee	1,983
Net investment income	795
Benefit payments, including refunds of employee contributions	-
Administrative expense	(33)
<b>Net change in plan fiduciary net position</b>	4,018
<b>Plan fiduciary net position - beginning</b>	3,179
<b>Plan fiduciary position - ending (b)</b>	\$ 7,197
 <b>Net pension Liability (asset) (a) - (b)</b>	\$ 3,627
 <b>Plan fiduciary net position as a percentage of total pension liability</b>	66.49%
 <b>Covered - employee payroll</b>	\$ 39,667
 <b>Net pension liability (asset) as a percentage of covered - employee payroll</b>	9.14%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future fiscal years until 10 years of information available.

*See independent auditor's report.*

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN  
THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

Last Fiscal Year Ending June 30

	2014	2015
Actuarily determined contribution	\$ 1,273	\$ 1,591
Contributions in relation to the actuarially determined contribution	1,273	1,591
Contribution deficiency (excess)	\$ -	\$ -
Covered - employee payroll	\$ 39,667	\$ 42,472
Contributions as a percentage of covered-employee payroll	3.21%	3.75%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future fiscal years until 10 years of information available.

**Notes to Schedule**

*Valuation date:* Actuarilly 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	20 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, 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 Adjustments	2.5 percent

See independent auditor's report.

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

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Under (Over)</u>
<b>Operating Revenues</b>				
Emergency telephone service charge	\$ 21,773	\$ 20,535	\$ 18,804	\$ (1,731)
Tennessee Emergency Communications Board	<u>266,177</u>	<u>273,177</u>	<u>259,336</u>	<u>(13,841)</u>
	<u>287,950</u>	<u>293,712</u>	<u>278,140</u>	<u>(15,572)</u>
<b>Operating Expenses</b>				
Salaries and wages				
Director	40,000	44,000	42,472	1,528
Dispatchers	30,000	26,000	26,000	-
Administrative personnel	<u>22,500</u>	<u>22,500</u>	<u>18,040</u>	<u>4,460</u>
Total salaries and wages	<u>92,500</u>	<u>92,500</u>	<u>86,512</u>	<u>5,988</u>
Employee benefits				
Social security	4,000	4,000	3,596	404
Medicare	1,000	1,000	840	160
Medical insurance	1,925	2,500	2,441	59
Unemployment compensation	350	350	55	295
Retirement contributions	3,700	3,700	1,591	2,109
Other fringe benefits	<u>100</u>	<u>100</u>	<u>100</u>	<u>-</u>
Total employee benefits	<u>11,075</u>	<u>11,650</u>	<u>8,623</u>	<u>3,027</u>
Contracted services				
Addressing	500	500	-	500
Advertising	500	500	320	180
Audit services	4,100	4,100	4,015	85
Accounting services	2,100	2,100	2,075	25
Fees paid to service providers	25,000	25,000	24,047	953
Maintenance agreements	20,000	24,000	19,082	4,918
Mapping/database - consultant	1,000	1,000	-	1,000
Maintenance and repairs:				
Communications equipment	5,000	5,000	377	4,623
Office equipment	500	500	458	42
Vehicles	1,000	1,000	186	814
Fuel-vehicles	<u>2,000</u>	<u>2,000</u>	<u>740</u>	<u>1,260</u>
Total contracted services	<u>\$ 61,700</u>	<u>\$ 65,700</u>	<u>\$ 51,300</u>	<u>\$ 14,400</u>

*See independent auditor's report.*

## **OTHER SUPPLEMENTAL SECTION**

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

For the Year Ended June 30, 2015

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance Under (Over)</b>
Supplies and materials				
Office supplies	\$ 2,000	\$ 2,000	\$ 1,274	\$ 726
Postage	200	250	238	12
Small equipment purchases	8,000	18,100	18,009	91
Uniforms and shirts	300	300	117	183
Utilities:				
General telephone	1,900	1,900	1,615	285
Cell phones and pagers	1,800	1,800	1,694	106
Total supplies and materials	14,200	24,350	22,947	1,403
Other charges				
Bank charges	100	100	62	38
Dues and memberships	1,000	1,000	333	667
Insurance:				
Worker's compensation	350	375	350	25
Vehicles	1,100	1,100	1,006	94
Premiums on surety bonds	700	750	732	18
Public education	4,400	4,800	4,248	552
Service awards	100	100	67	33
Training expenses	8,000	8,000	3,895	4,105
Travel expenses	5,000	5,000	994	4,006
Internet	1,900	1,900	1,740	160
Total other charges	22,650	23,125	13,427	9,698
Depreciation	80,000	70,000	58,548	11,452
Total operating expenses	282,125	287,325	241,357	45,968
Operating income	5,825	6,387	36,783	30,396
<b>Non-Operating Revenues</b>				
Interest income	3,000	3,000	5,959	2,959
TECB grants and reimbursements	-	38,178	38,179	1
Total nonoperating revenues	3,000	41,178	44,138	2,959
<b>Changes in net position</b>	<b>\$ 8,825</b>	<b>\$ 47,565</b>	<b>80,921</b>	<b>\$ 33,355</b>
Net position, July 1, 2014			1,165,966	
Restatement of beginning net position			337	
Net position, July 1, 2014 restated			1,166,303	
Net position, June 30, 2015			<b>\$ 1,247,224</b>	

*See independent auditor's report.*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

**Members of:**

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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, 2015, 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 January 18, 2016.

### **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*.

### **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.

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
January 18, 2016

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES – CURRENT YEAR**  
June 30, 2015

**FINANCIAL STATEMENT FINDINGS**

**Current year findings:**

None reported.

**CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES – PRIOR YEAR**  
June 30, 2015

**FINANCIAL STATEMENT FINDINGS**

**Prior Year Findings**

None reported.