

**RHEA COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT**

Financial Statements

June 30, 2009 and 2008

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Financial Statements

June 30, 2009 and 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Rhea County "911" Emergency Communications District

We have audited the accompanying financial statements of the Rhea County "911" Emergency Communications District, a component unit of Rhea County, as of June 30, 2009 and June 30, 2008 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Rhea County "911" Emergency Communications District Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rhea County "911" Emergency Communications District, as of June 30, 2009 and June 30, 2008, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2009 on our consideration of Rhea County "911" Emergency Communications District internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. 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 their internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 and 4 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements. The information on pages 13-16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Rhea County "911" Emergency Communications District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.


ARNETT, KIRKSEY, KIMSEY, SULLIVAN & LAY, PLLC
Certified Public Accountants

August 31, 2009

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Roster of Management Officials and Board Members

For the Years Ended June 30, 2009 and 2008

Management Officials:

Shane Clark	Director
Darlene Monroe	Assistant Director

Board Members:

Earl "Bo" Kaylor	Chairman
Ted Jones	Vice Chairman
Bob Piolatto	Treasurer
Billy Cranfield	Secretary
Tracy Taylor	Board Member
Sarah McDaniel	Board Member
Phil Dunn	Board Member
Billy Thedford, Jr.	Board Member
Sheriff Mike Neal	Board Member

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

June 30, 2009 and 2008

Management's Discussion and Analysis

June 30, 2009

The Board of Rhea County "911" Emergency Communications District (the "Board") has implemented Governmental Auditing Standards Board ("GASB") Statement No. 34, Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments, for the years ending June 30, 2009 and 2008.

Financial Highlights

- * Operating revenues decreased 2% from 2008 to 2009. This small decrease is a result of having the same sources of revenue and only having minor changes in billing rates.
- * Operating expenses for 2009 are 15% more than 2008. This is primarily due to an increase in depreciation expense in 2009 that resulted from the addition of \$211,002 of depreciable assets.

Overview of the Financial Statements

The GASB issued Statement No. 34 in June 1999. The objective of this statement was to set standards for the financial statements issued by all state and local government entities in the United States. By setting these standards, the Statement would enhance the understandability and usefulness of the external financial reports of state and local governments to the citizenry, legislative and oversight bodies, investors and creditors. The presentation in the statements this year include the following statements and reports and are designed to meet the requirements of GASB 34.

Management Discussion and Analysis

The purpose of MD&A is to provide an objective and easily readable analysis of the Board's financial activities based on currently known facts, decisions or conditions.

Balance Sheet

Assets and liabilities are presented with a distinction made between current and long-term assets and liabilities.

Statements of Revenues, Expenses and Changes in Net Assets

The statement provides the operating results of the Board, presented by various categories of operating and non-operating revenue and expenses.

Statement of Cash Flows

Using the direct method, sources and uses of cash from operating, financing and investing activities are shown.

Notes to the Financial Statements

The footnotes are provided to explain the information in the financial statements and provide more detailed data.

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT*June 30, 2009 and 2008***Overview of the Financial Statements (continued)****Financial Analysis**

	<u>2009</u>	<u>2008</u>
Current assets	\$ 750,773	\$ 792,127
Capital assets	551,094	364,972
Total assets	<u>\$ 1,301,867</u>	<u>\$ 1,157,099</u>
Current/total liabilities	\$ 316	\$ 1,487
Invested in capital assets	551,094	364,972
Unrestricted	750,457	790,640
Total fund equity	<u>\$ 1,301,551</u>	<u>\$ 1,155,612</u>
Operating revenues	411,524	420,706
Operating expenses	359,197	320,257
Net operating income	<u>\$ 52,327</u>	<u>\$ 100,449</u>
Interest income	\$ 4,087	\$ 13,848

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Balance Sheets

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 628,237	\$ 676,298
Investments	83,925	82,556
Accounts receivable	17,171	19,067
Prepaid expenses	21,440	14,206
Total Current Assets	<u>\$ 750,773</u>	<u>\$ 792,127</u>
CAPITAL ASSETS		
Building and improvements	\$ 260,929	\$ 245,244
Furniture and fixtures	88,130	79,763
Office equipment	5,108	3,909
Communications equipment	625,333	439,582
Vehicles	45,910	45,910
Construction in Progress	91,855	0
Less accumulated depreciation	<u>(566,171)</u>	<u>(449,436)</u>
Net Fixed Assets	<u>\$ 551,094</u>	<u>\$ 364,972</u>
INTANGIBLE ASSETS		
Database development	\$ 31,246	\$ 31,246
Installation cost	36,036	36,036
Site preparation	4,904	4,904
Less accumulated amortization	<u>(72,186)</u>	<u>(72,186)</u>
Net Intangible Assets	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL ASSETS	<u><u>\$ 1,301,867</u></u>	<u><u>\$ 1,157,099</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Compensated absences payable	\$ 316	\$ 1,487
Total Liabilities	<u>\$ 316</u>	<u>\$ 1,487</u>
NET ASSETS		
Invested in capital assets	\$ 551,094	\$ 364,972
Unrestricted	750,457	790,640
Total fund equity	<u>\$ 1,301,551</u>	<u>\$ 1,155,612</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,301,867</u></u>	<u><u>\$ 1,157,099</u></u>

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Statements of Income, Expenses and Changes in Fund Equity

For the Years Ended June 30, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Emergency telephone service charge	\$ 252,036	\$ 269,581
TN Emergency Communications Board - shared wireless charge	73,254	64,594
TN Emergency Communications Board - operational funding	86,169	86,169
Miscellaneous income	65	362
	<hr/>	<hr/>
Total Revenues	\$ 411,524	\$ 420,706
OPERATING EXPENSES		
Director salary	\$ 42,160	\$ 39,757
Assistant director	30,369	32,384
Dispatchers	0	1,233
Social security	4,605	4,708
Medicare	1,077	1,101
Life insurance	96	96
Medical insurance	13,600	12,619
Retirement contributions	6,480	6,403
Address/mapping expenses	0	2,010
Audit services	7,000	0
Accounting services	800	800
Janitorial services	0	135
Legal services	7,000	7,000
Maintenance agreements	30,851	29,866
Mapping/data base consulting	13,325	0
NCIC/TBI/TIES expenses	6,920	6,920
Consulting	0	12,150
Consulting EMD	3,000	0
Lease/rental - office equipment	2,632	1,664
Maintenance and repair - communications equipment	2,063	374
Maintenance and repair - buildings and facilities	1,425	0
Maintenance and repair - office equipment	688	639
Maintenance and repair - vehicles	659	3,806
Fuel - vehicles	2,754	0
Office supplies	942	739
Postage	182	177
Small equipment purchases	1,756	3,269
Uniforms and shirts	723	973
Utilities - electric	9,058	7,278
Utilities - natural gas	545	336
Utilities - water/sewer	326	495
Utilities - general telephone	27,278	28,552
Utilities - cell phones and pagers	593	512
Bank charges	0	30
Board meeting expenses	1,338	961
Dues and memberships	241	241
Insurance - liability	350	350
Insurance - buildings and contents	5,280	5,273
Insurance - vehicles	1,100	1,100
Legal notices	254	219

(Continued)

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT*Statement of Income, Expenses and Changes in Fund Equity (Continued)**For the Years Ended June 30, 2009 and 2008*

OPERATING EXPENSES - (Continued)	<u>2009</u>	<u>2008</u>
Licenses & Fees	\$ 1,224	\$ 0
Premiums on surety bonds	600	300
Service awards	0	26
Training expenses	10,520	11,357
Internet charges	2,379	1,841
Weather communication	270	0
Other charges	0	350
Depreciation expense	114,540	90,998
Amortization expense	2,194	1,215
Total Operating Expenses	<u>\$ 359,197</u>	<u>\$ 320,257</u>
 Operating Income	 <u>\$ 52,327</u>	 <u>\$ 100,449</u>
 OTHER INCOME		
Interest income	\$ 4,087	\$ 13,848
TN Emergency Communications Board - grants and reimb.	89,525	63,264
Gain on disposal of property	0	1,601
Loss on disposal of property	0	(7,162)
Total Other Income	<u>\$ 93,612</u>	<u>\$ 71,551</u>
 NET INCOME	 <u>\$ 145,939</u>	 <u>\$ 172,000</u>
 BEGINNING FUND EQUITY	 <u>1,155,612</u>	 <u>983,612</u>
 ENDING FUND EQUITY	 <u><u>\$ 1,301,551</u></u>	 <u><u>\$ 1,155,612</u></u>

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Statements of Cash Flow

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from line fees	\$ 413,421	\$ 421,629
Payments to suppliers for goods and services	(151,310)	(129,735)
Payments to employees for services	(99,558)	(102,161)
Net cash provided by operating activities	<u>\$ 162,553</u>	<u>\$ 189,733</u>
Cash flows from noncapital financing activities:		
Grants and state reimbursements	\$ 89,525	\$ 63,264
Net cash provided by noncapital financing activities	<u>\$ 89,525</u>	<u>\$ 63,264</u>
Cash flows from capital and related financing activities:		
Cash proceeds from sale of property	\$ 0	\$ 1,601
Purchase of assets	(302,857)	(96,877)
Net cash used in capital and related financing activities	<u>\$ (302,857)</u>	<u>\$ (95,276)</u>
Cash flows from investing activities:		
Interest received	\$ 4,087	\$ 13,848
Decrease (increase) of investments	(1,369)	204,519
Net cash provided by investing activities	<u>\$ 2,718</u>	<u>\$ 218,367</u>
Net increase (decrease) in cash and cash equivalents	\$ (48,061)	\$ 376,088
Cash and cash equivalents, beginning of year	<u>676,298</u>	<u>300,210</u>
Cash and cash equivalents, end of year	<u><u>\$ 628,237</u></u>	<u><u>\$ 676,298</u></u>
Reconciliation of operating revenues to net cash provided by operating activities:		
Net operating income	\$ 52,327	\$ 100,449
Adjustments to reconcile new operating revenues to net cash provided by operating activities:		
Depreciation and amortization	116,734	92,213
Changes on operating assets and liabilities:		
Accounts receivable	1,897	923
Prepaid expenses	(7,234)	7
Compensated absences payable	(1,171)	(3,859)
Net cash provided by operating activities	<u><u>\$ 162,553</u></u>	<u><u>\$ 189,733</u></u>

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2009 and 2008

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Rhea County "911" Emergency Communications District was established on September 13, 1990 for the purpose of providing an enhanced level of 911 service for Rhea County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. The District is a component unit of Rhea County which provides employees and operation facilities in exchange for impact payments and appoints all board members. The County has financial responsibility through the approval of the District's budget and the ability to modify fee rates.

Basis of Accounting

The Rhea County "911" Emergency Communications District is an agency of Rhea County, Tennessee. As such, the district is subject to standards prescribed by the Governmental Accounting Standards Board (GASB) which require that the accrual method of accounting be used for governmental units which recover cost of providing goods or services and are operating in a manner similar to private business enterprises. For this reason the accrual method of accounting is utilized by the District. As a proprietary fund the District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Fixed Assets

Expenditures for fixed assets are recorded at historical cost. Depreciation is being computed for furniture and equipment using the 200% double declining balance method. Building and fencing are depreciated using the straight-line method. The depreciation periods are as follows:

Furniture and equipment	5-7 years
Building	10-40 years
Fence	15 years
Vehicles	5 years

Intangible Assets

Amortization of the cost of intangible assets commenced on completion of each project and when they were integrated into the operational Enhanced "911" equipment. The amortization period for the intangible asset cost is over the term of years as follows:

Description	Cost	Period
Database Development	\$ 31,246	15 years
Installation Cost	36,036	5 years
Site Preparation	4,904	10 years

Investments

Investments are stated at cost which approximates market. State statutes authorize the district to invest in obligations of the U.S. treasury, commercial paper, corporate bonds, repurchase agreements, and pooled investment funds.

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2009 and 2008

Note 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three months or less, primarily with local financial institutions. At year end, all deposits were covered by federal depository insurance.

Note 3 - DEPOSITS AND INVESTMENTS

The District's investments include:

	Carrying Amount	Market Value
Community National Bank Growth Fund	\$ 22,641	\$ 22,641
Local Government Investment Pool	61,284	61,284
Total Investments	<u>\$ 83,925</u>	<u>\$ 83,925</u>

At year end, all deposits of the Rhea County 911 Emergency Communications District were covered by federal depository insurance of by collateral held by the State of Tennessee Collateral Pool for Public Deposits.

Investments in the State of Tennessee Local Government Investment Pool are valued based upon the value of pool shares. The responsibility for conducting the State's investment program resides with the State Treasurer pursuant to Tennessee Code Annotated, Section 9-4-602 and shall be exercised in accordance with the investment policy and resolutions of the State Funding Board.

Interest rate risk - In accordance with its investment policy, the Rhea County 911 Emergency Communications District manages its exposure to declines in market values by limiting the amount invested in long-term investments and bidding the amount of interest earned on savings accounts with area banks.

Credit risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs).

Note 4 - CAPITAL AND INTANGIBLE ASSETS

The following is a schedule of Changes to Capital and Intangible Assets for the year ending 6/30/2008:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital and intangible assets, being depreciated:				
Buildings & improvements	\$ 248,052	\$ 958	\$ (3,766)	\$ 245,244
Furniture and fixtures	18,642	77,429	(16,308)	79,763
Office equipment	14,440	3,890	(14,421)	3,909
Communications equipment	457,903	14,600	(32,921)	439,582
Vehicles	64,930	0	(19,020)	45,910
Data base development	31,246	0	0	31,246
Installation cost	36,036	0	0	36,036
Site preparation	4,904	0	0	4,904
Total capital and intangible assets being depreciated	<u>\$ 876,153</u>	<u>\$ 96,877</u>	<u>\$ (86,436)</u>	<u>\$ 886,594</u>

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2009 and 2008

Note 4 - CAPITAL AND INTANGIBLE ASSETS - (Continued)

	Beginning Balance	Additions	Retirements	Ending Balance
Less accumulated depreciation for:				
Buildings & improvements	\$ (38,098)	\$ (9,020)	\$ 2,166	\$ (44,952)
Furniture and fixtures	(15,968)	(11,509)	14,222	(13,255)
Office equipment	(13,111)	(1,007)	13,543	(575)
Communications equipment	(332,925)	(57,694)	30,324	(360,295)
Vehicles	(37,611)	(11,768)	19,020	(30,359)
Data base development	(30,031)	(1,215)	0	(31,246)
Installation cost	(36,036)	0	0	(36,036)
Site preparation	(4,904)	0	0	(4,904)
Total accumulated depreciation	<u>\$ (508,684)</u>	<u>\$ (92,213)</u>	<u>\$ 79,275</u>	<u>\$ (521,622)</u>
Total capital and intangible assets being depreciated	<u>\$ 367,469</u>	<u>\$ 4,664</u>	<u>\$ (7,161)</u>	<u>\$ 364,972</u>

The following is a schedule of Changes to Capital and Intangible Assets for the year ending 6/30/2009:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital and intangible assets, being depreciated:				
Buildings & improvements	\$ 245,244	\$ 15,685	\$ 0	\$ 260,929
Furniture and fixtures	79,763	8,367	0	88,130
Office equipment	3,909	1,199	0	5,108
Communications equipment	439,582	185,751	0	625,333
Vehicles	45,910	0	0	45,910
Construction in Progress	0	91,855	0	91,855
Data base development	31,246	0	0	31,246
Installation cost	36,036	0	0	36,036
Site preparation	4,904	0	0	4,904
Total capital and intangible assets being depreciated	<u>\$ 886,594</u>	<u>\$ 302,857</u>	<u>\$ 0</u>	<u>\$ 1,189,451</u>
Less accumulated depreciation for:				
Buildings & improvements	\$ (44,952)	\$ (9,207)	\$ 0	\$ (54,159)
Furniture and fixtures	(13,255)	(20,251)	0	(33,506)
Office equipment	(575)	(1,192)	0	(1,767)
Communications equipment	(360,295)	(78,964)	0	(439,259)
Vehicles	(30,359)	(7,121)	0	(37,480)
Data base development	(31,246)	0	0	(31,246)
Installation cost	(36,036)	0	0	(36,036)
Site preparation	(4,904)	0	0	(4,904)
Total accumulated depreciation	<u>\$ (521,622)</u>	<u>\$ (116,735)</u>	<u>\$ 0</u>	<u>\$ (638,357)</u>
Total capital and intangible assets being depreciated	<u>\$ 364,972</u>	<u>\$ 186,122</u>	<u>\$ 0</u>	<u>\$ 551,094</u>

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2009 and 2008

Note 5 - COMMERCIAL INSURANCE

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, employee health and accident, and environmental. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 6 - USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Note 7 - COMPENSATED ABSENCES

The director and assistant director of Emergency Communications District are entitled to paid vacation depending on length of service and other factors. In the event of termination, the director will be paid for accumulated vacation leave. Total earned but unused vacation pay at June 30, 2009 is \$316.

Note 8 - RECLASSIFICATIONS

For comparability purposes, certain prior year accounts have been reclassified.

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Income and Expenses Compared to Budget

For the Year Ended June 30, 2009

	Actual	Budget	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Emergency telephone service charge	\$ 252,036	\$ 271,000	\$ (18,964)
TN Emergency Communications Board - shared wireless charge	73,254	65,000	8,254
TN Emergency Communications Board - operational funding	86,169	86,169	0
Miscellaneous income	65	0	65
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 411,524</u>	<u>\$ 422,169</u>	<u>\$ (10,645)</u>
OPERATING EXPENSES			
Director salary	\$ 42,160	\$ 42,800	\$ 640
Assistant director	30,369	30,900	531
Social security	4,605	4,605	0
Medicare	1,077	1,096	19
Life insurance	96	100	4
Medical insurance	13,600	15,000	1,400
Retirement contributions	6,480	6,500	20
Address/mapping expenses	0	2,010	2,010
Audit services	7,000	7,000	0
Accounting services	800	800	0
Architects	0	8,145	8,145
Janitorial services	0	135	135
Legal services	7,000	7,600	600
Maintenance agreements	30,851	38,085	7,234
Mapping/data base consulting	13,325	15,000	1,675
NCIC/TBI/TIES expenses	6,920	6,920	0
Consulting EMD	3,000	3,000	0
Lease/rental - office equipment	2,632	2,633	1
Maintenance and repair - communications equipment	2,063	2,500	437
Maintenance and repair - buildings and facilities	1,425	5,000	3,575
Maintenance and repair - office equipment	688	1,000	312
Maintenance and repair - vehicles	659	659	0
Fuel - vehicles	2,754	4,800	2,046
Office supplies	942	2,000	1,058
Postage	182	200	18
Small equipment purchases	1,756	3,500	1,744
Uniforms and shirts	723	1,200	477
Utilities - electric	9,058	9,058	0
Utilities - natural gas	545	700	155
Utilities - water/sewer	326	500	174
Utilities - general telephone	27,278	30,300	3,022
Utilities - cell phones and pagers	593	1,020	427
Bank charges	0	80	80
Board meeting expenses	1,338	1,500	162
Dues and memberships	241	300	59
Insurance - liability	350	350	0
Insurance - buildings and contents	5,280	6,500	1,220
Insurance - vehicles	1,100	1,200	100
Legal notices	254	500	246

(Continued)

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Income and Expenses Compared to Budget

For the Year Ended June 30, 2009

	Actual	Budget	Variance Favorable (Unfavorable)
OPERATING EXPENSES - (Continued)			
Licenses & Fees	\$ 1,224	\$ 2,500	\$ 1,276
Premiums on surety bonds	600	600	0
Service awards	0	100	100
Training expenses	10,520	14,000	3,480
Travel expenses	0	1,200	1,200
Internet charges	2,379	2,379	0
Weather communication	270	660	390
Depreciation expense	114,540	85,000	(29,540)
Amortization expense	2,194	0	(2,194)
Total Operating Expenses	<u>\$ 359,197</u>	<u>\$ 371,635</u>	<u>\$ 12,438</u>
Operating Income	<u>\$ 52,327</u>	<u>\$ 50,534</u>	<u>\$ 1,793</u>
OTHER INCOME			
Interest income	\$ 4,087	\$ 13,650	\$ (9,563)
TN Emergency Communications Board - grants and reimb.	89,525	86,806	2,719
Total Other Income	<u>\$ 93,612</u>	<u>\$ 100,456</u>	<u>\$ (6,844)</u>
NET INCOME	<u>\$ 145,939</u>	<u>\$ 150,990</u>	<u>\$ (5,051)</u>

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

*Schedule of Public Safety Answering Points
For the Years Ended June 30, 2009 and 2008*

Rhea County 9-1-1 Center
Emergency Communications District
8860 Back Valley Road
Evansville, TN 37332

System: Positron

Database: Controlled by AT&T

Chairman: Earl "Bo" Kaylor
227 South Pine Street
Dayton, TN 37321

of PSAP's: 5

Director: Shane Clark
P.O. Box 85
Evansville, TN 37332

Telephone: 423-775-6078

Fax: 423-775-5042

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Grant Activity

For the Years Ended June 30, 2009 and 2008

State Grant Number	Program	Grant	Amount
Z-03-016953	State of Tennessee, Department of Commerce and Insurance	GIS Maintenance Grant	\$ 10,000
	State of Tennessee, Department of Commerce and Insurance	Furniture Grant	<u>79,525</u>
Total			<u>\$ 89,525</u>

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TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
NATIONAL ASSOCIATION OF
CERTIFIED VALUATION ANALYSTS

**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
Rhea County 911 Emergency Communications District
Evansville, Tennessee

We have audited the financial statements of Rhea County 911 Emergency Communications District as of and for the year ended June 30, 2009, and have issued our report thereon dated August 31, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rhea County 911 Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rhea County 911 Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rhea County 911 Emergency Communications District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Rhea County 911 Emergency Communications District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Rhea County 911 Emergency Communications District's financial statements that is more than inconsequential will not be prevented or detected by the Rhea County 911 Emergency Communications District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Rhea County 911 Emergency Communications District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rhea County 911 Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2009-1.

The Rhea County 911 Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Rhea County 911 Emergency Communications District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and the use of the Board of Directors and management of Rhea County 911 Emergency Communications District and the Department of Audit of the State of Tennessee Division of County Audit and is not intended to be and should not be used by anyone other than these specified parties.

Arnett, Kirksey, Kimsey, Sullivan & Lay
ARNETT, KIRKSEY, KIMSEY, SULLIVAN & LAY, PLLC
Certified Public Accountants

August 31, 2009

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Rhea County 911 Emergency Communications District.
2. One instance of noncompliance was identified during the audit of the financial statements.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

NONCOMPLIANCE 2009-1

FINDING: Budget Violations

The budgetary financial statement reflected several amounts that exceeded the adopted budget. This was a violation of Tennessee Code Annotated, Section 7-86-120. All expenses should be at or below budgetary amounts for that fiscal year.

RECOMMENDATION:

Management should either review the budget more frequently or monitor individual accounts more closely.

MANAGEMENT COMMENTS:

Steps will be taken to ensure that all expense amounts are within the fiscal year adopted budget amounts. Management states that they will continue to review the budget at all Board meetings to help insure the budget stays within actual revenues and expenses.

C. SUMMARY OF PRIOR AUDIT FINDINGS

1. The budgetary financial statement reflected several amounts that exceeded the adopted budget, reported again this year as NONCOMPLIANCE 2009-1.