

**CHESTER COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
(A Component Unit of Chester County, Tennessee)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

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INTRODUCTORY SECTION

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF OFFICIALS

JUNE 30, 2010

<u>Official</u>	<u>Position</u>
Lynn Helton	Chairman
Jim Vest	Vice-Chairman
Cyndi Kilzer	Secretary
Renee Phelps	Treasurer
Mike Burkhead	Board Member
Johny Farris	Board Member
Robert W. King	Board Member
Al McKinnon	Board Member
Blair Weaver	Board Member

Management Official

Jessica Reddin, Executive Director

Independent Certified Public AccountantsAlexander Thompson Arnold PLLC
Henderson, Tennessee

FINANCIAL SECTION



Certified Public Accountants

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Independent Auditor's Report

We have audited the accompanying financial statements of the Chester County Emergency Communications District (a component unit of Chester County, Tennessee) (District) as of and for the year ended June 30, 2010, as listed in the Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District as of June 30, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

McKenzie, TN
Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Chester County Emergency Communications District
Henderson, Tennessee

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries., the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



Certified Public Accountants
Henderson, Tennessee
September 15, 2010

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, 2010. 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 \$614 thousand and exceeded liabilities in the amount of \$612 thousand (i.e. net assets). Total assets increased by \$157 thousand because of the upgrades made at the Chester County PSAP. We purchased equipment for two (2) complete positions with an upgraded radio system, computer aided dispatch system, mapping system, dispatch furniture, computer system, uninterruptible power supply, and wiring the PSAP to the generator in case of a power failure.
- Net assets increased \$157 thousand during the current year because of the upgrades made at the Chester County Sheriff's PSAP. We purchased equipment for two (2) complete positions with an upgraded radio system, computer aided dispatch system, mapping system, dispatch furniture, computer system, uninterruptible power supply, and wiring the PSAP to the generator in case of a power failure.
- During fiscal year 2010, the District's Public Safety Answering Points answered 6,890 calls compared to 7,119 calls during the fiscal year 2009.
- Operating revenues were \$224 thousand, an increase from year 2009 in the amount of \$40 thousand or 21.54%.
- Operating expenses were \$186 thousand, an increase from year 2008 in the amount of \$49 thousand or 36.22%. This increase was due to the installation of two (2) complete positions with an upgraded radio system, computer aided dispatch system, mapping system, dispatch furniture, computer system, uninterruptible power supply, and wiring the PSAP to the generator in case of a power failure. This expense budgeted and paid for from the district because of funding from Tennessee Emergency Communications Board's (TECB) operational funding and reimbursement money allotted for each district
- The operating income for the year was \$38 thousand as compared to a \$48 thousand operating income during the 2009 fiscal year.
- Ratios of operating income to total operating revenue were 1:1.50 for 2010 and 1:1.33 for 2009.

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

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (cont.)

4) the internal control and compliance section. The introductory section includes the District's directory. The financial section includes the MD&A, the independent auditors' report, the financial statements with accompanying notes, and the supplementary information. The other supplementary information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

REQUIRED FINANCIAL STATEMENTS

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

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

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

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

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

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

FINANCIAL ANALYSIS

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets report information about the District's activities

FINANCIAL ANALYSIS (cont.)

in a way that will help answer this question. These two statements report the net assets of the District and the changes in the net assets. Net assets are one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The District's total net assets increased by \$157 thousand for the fiscal year ended June 30, 2010. The analysis below focuses on the District's net assets (Table 1) and changes in net assets (Table 2) during the year.

Table 2A
CONDENSED STATEMENT NET ASSETS

			Increase (Decrease)	
	June 30, 2010	June 30, 2009	\$	%
Current and other assets	\$ 368,673	\$ 404,844	\$ (36,171)	-8.93%
Capital assets	245,035	51,616	193,419	374.73%
Total assets	<u>613,708</u>	<u>456,460</u>	<u>157,248</u>	34.45%
Total liabilities	2,013	1,302	711	54.61%
Investment in capital assets	245,035	51,616	193,419	374.73%
Unrestricted net assets	<u>366,660</u>	<u>403,543</u>	<u>(36,883)</u>	-9.14%
Total net assets	\$ 611,695	\$ 455,159	\$ 156,536	34.39%

The changes in capital assets were funded completely by the District's funds. These funds were from Tennessee Emergency Communications Board's (TECB) operational funding and reimbursement money allotted for each district. The increase in current and other assets was based on the installation of two (2) complete positions with an upgraded radio system, computer aided dispatch system, mapping system, dispatch furniture, computer system, uninterruptible power supply, and wiring the PSAP to the generator in case of a power failure.

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

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

	June 30, 2010	June 30, 2009	Increase (Decrease)	
			\$	%
Operating revenues	\$ 223,763	\$ 184,103	\$ 39,660	21.54%
Non-operating revenues	118,373	61,364	57,009	92.90%
Total revenues	<u>342,136</u>	<u>245,467</u>	<u>96,669</u>	39.38%
Salaries and wages	68,897	65,644	3,253	4.96%
Employee benefits	15,921	1,401	14,520	1036.40%
Contracted services	42,662	44,505	(1,843)	-4.14%
Supplies and materials	5,202	4,129	1,073	25.99%
Other charges	11,231	6,175	5,056	81.88%
Depreciation	<u>41,686</u>	<u>14,399</u>	<u>27,287</u>	189.51%
Total expenses	185,599	136,253	49,346	36.22%
Change in net assets	156,537	109,213	47,324	43.33%
Beginning net assets	455,158	345,945	109,213	31.57%
Ending net assets	<u>\$ 611,695</u>	<u>\$ 455,158</u>	<u>156,537</u>	34.39%

Operating revenues showed a 21.54% increase from 2009 to 2010. The increase in expenses is due to the installation of a 2nd position at the Chester County Sheriff's PSAP with an upgraded radio system, computer aided dispatch system, mapping system, dispatch furniture, computer system, uninterruptible power supply, and wiring the PSAP to the generator in case of a power failure. This expense was budgeted and paid for from the District's operational funding.

CAPITAL ASSETS

At the end of the fiscal year 2010, the system had \$245 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 \$178 thousand or 263.24% 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, 2010. These changes are presented in detail in Note 4 to the financial statements.

CAPITAL ASSETS (cont.)

The majority of the additions come from the District purchasing an upgraded the dispatch system for the PSAP;. The District plans on using existing financial resources to keep upgrading existing systems and adding new systems where it sees fit and remain in compliance with the Tennessee State Emergency Communications Board guidelines.

	2010	2009	\$	%
Furniture and fixtures	\$ 27,940	\$ 540	\$ 27,400	5074.07%
Office equipment	2,576	5,588	(3,012)	-53.90%
Communication equipment	212,431	39,821	172,610	433.46%
Vehicles	2,088	5,668	(3,580)	-63.16%
Total capital assets, net of accumulated depreciation	<u>\$ 245,035</u>	<u>\$ 51,617</u>	<u>\$ 193,418</u>	374.72%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

<u>ASSETS AND LIABILITIES</u>	
CURRENT ASSETS	
Cash and cash equivalents	244,005
Certificates of deposit	108,939
Accounts receivable	9,879
Prepaid Expenses	5,850
<u>Total Current Assets</u>	<u>368,673</u>
 NONCURRENT ASSETS	
CAPITAL ASSETS	
Furniture and fixtures	31,844
Office equipment	15,954
Communication equipment	314,629
Vehicles	17,900
	<u>380,327</u>
Less accumulated depreciation	<u>(135,292)</u>
 <u>Total Capital Assets</u>	 <u>245,035</u>
 <u>Total Assets</u>	 <u>613,708</u>
 CURRENT LIABILITIES	
Accounts payable	1,532
Compensated absences payable	481
<u>Total Current Liabilities</u>	<u>2,013</u>
 <u>Total Assets less Liabilities</u>	 <u>\$ 611,695</u>
 <u>NET ASSETS</u>	
Investment in capital assets	\$ 245,035
Unrestricted net assets	<u>366,660</u>
 <u>Total Net Assets</u>	 <u>\$ 611,695</u>

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

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

OPERATING REVENUES	
Emergency telephone service charge	\$ 62,004
State Emergency Communications Board - shared wireless charge	39,279
State Emergency Communications Board - operational funding	<u>122,480</u>
<u>Total Operating Revenues</u>	<u>223,763</u>
OPERATING EXPENSES	
Salaries and wages	68,897
Employee benefits	15,921
Contracted services	42,662
Supplies and materials	5,202
Other charges	11,231
Depreciation	<u>41,686</u>
<u>Total Operating Expenses</u>	<u>185,599</u>
OPERATING INCOME	<u>38,164</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	1,949
Interest income	3,954
State grants and reimbursements	<u>112,470</u>
<u>Total Non-operating Revenues</u>	<u>118,373</u>
<u>Changes in Net Assets</u>	156,537
NET ASSETS, JULY 1, 2009	<u>455,158</u>
NET ASSETS, JUNE 30, 2010	<u>\$ 611,695</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, 2010

Cash Flows from Operating Activities:	
Cash received from AT&T and others	\$ 241,988
Cash paid to suppliers of goods and services	(64,228)
Cash paid for employees' services	<u>(84,338)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>93,422</u>
Cash Flows from Non-Capital Financing Activities:	
State grants & reimbursements for GIS, CAD, and mapping	<u>112,470</u>
<u>Net Cash Provided by Non-Capital Financing Activities</u>	<u>112,470</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of fixed assets	<u>(235,104)</u>
<u>Net Cash Used by Financing Activities</u>	<u>(235,104)</u>
Cash Flows from Investing Activities:	
Purchase of investments	(108,939)
Sale of investments	106,990
Interest on investments	<u>5,904</u>
<u>Net Cash Provided by Investing Activities</u>	<u>3,955</u>
<u>Net Decrease in Cash</u>	(25,257)
CASH AND CASH EQUIVALENTS, JULY 1, 2009	<u>269,262</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2010	<u>\$ 244,005</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 38,164
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	41,686
Changes in assets and liabilities:	
Accounts receivable	18,223
Prepaid expenses	(5,362)
Accounts payable	230
Compensated absences	<u>481</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 93,422</u>

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

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 – ORGANIZATION AND 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting:

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

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

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

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**B. Cash**

Cash and Cash Equivalents: All demand deposits and other deposits with original maturities of three months or less are included in the caption cash and cash equivalents.

C. Accounts Receivable:

Accounts receivable represents amounts due from AT&T, less applicable commissions, and state wireless charges.

D. 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.

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

E. Compensated Absences:

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

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

NOTE 3 – CASH

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, the state pooled investment fund, and mutual funds.

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2010

NOTE 3 – CASH (Cont.)

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, 2010, \$358,939 of the District's bank balance was covered by federal depository insurance, and the remaining bank balance of \$2,175 was covered by the Tennessee Bank Collateral Pool.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

Description	Balance 7/1/09	Additions	Disposals	Balance 6/30/10
Capital assets, being depreciated				
Furniture and fixtures	\$ 2,385	\$ 29,459	\$ -	\$ 31,844
Office equipment	21,590	-	5,636	15,954
Communication equipment	109,453	205,645	469	314,629
Vehicles	17,900	-	-	17,900
Total capital assets being depreciated	\$ 151,328	\$ 235,104	\$ 6,105	\$ 380,327
Less accumulated depreciation				
Furniture and fixtures	1,845	2,059	-	3,904
Office equipment	16,002	3,012	5,636	13,378
Communication equipment	69,632	33,035	469	102,198
Vehicles	12,232	3,580	-	15,812
Total accumulated depreciation	<u>99,711</u>	<u>41,686</u>	<u>6,105</u>	<u>135,292</u>
Total capital assets, net	<u>\$ 51,617</u>	<u>\$ 193,418</u>	<u>\$ -</u>	<u>\$ 245,035</u>

Depreciation is recognized over the estimated useful lives of the property and equipment of 5 to 10 years using the straight-line method.

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2010

NOTE 5 – FUNDING SOURCES

Funding for the District's operations is provided by monthly fees from service users in the County and by monthly fees from wireless cellular phone subscribers. AT&T and alternate local exchange carriers collect service fees from the county users and remit the funds to the District. The Tennessee Emergency Communications Board collects monthly service fees from wireless cellular phone subscribers and remits a set percentage to the District.

NOTE 6 – RETIREMENT PLAN

For the year ended June 30, 2010, Chester County processed payroll and retirement contributions for the District's employee. The District is responsible for funding its own payroll and benefits, and submits reimbursement to the County on an annual basis. The total retirement expense to the District for the period was \$2,025.

NOTE 8 – RISK MANAGEMENT

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

NOTE 8 – BUDGET OVERAGES

The following expense accounts were found to be exceeding the line item budget: Faculty relocation expense, \$270; Legal services, \$569, Office equipment, \$215; Custodial expenses, \$19, and Board meeting expense, \$12.

OTHER SUPPLEMENTAL SECTION

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES - BUDGETARY BASIS				
Emergency telephone service charge	\$ 56,000	\$ 56,000	\$ 57,805	\$ 1,805
SECB - share wireless charge	25,000	25,000	38,983	13,983
SECB - operational funding	86,169	142,791	137,321	(5,470)
	<u>\$ 167,169</u>	<u>\$ 223,791</u>	<u>\$ 234,109</u>	<u>\$ 10,318</u>
OPERATING EXPENSES - BUDGETARY BASIS				
Salaries and Wages				
Director	\$ 26,467	\$ 27,216	\$ 27,216	\$ -
Dispatchers	30,000	30,000	30,000	-
Part-time personnel	8,500	10,500	10,450	50
Employee Benefits				
Social security/medicare	1,381	2,083	2,082	1
Medical insurance	1,800	1,800	1,401	399
Unemployment compensation	98	381	381	-
Retirement contributions	2,025	2,025	2,025	-
Other fringe benefits	50	200	200	-
Contracted Services				
Addressing	10,000	10,279	9,832	447
Advertising	1,000	1,000	215	785
Audit services	3,000	3,700	3,700	-
Facility relocation expenses	-	-	270	(270)
Fees paid to service providers	40,000	40,000	29,120	10,880
Legal services	-	-	569	(569)
Maintenance agreements	10,000	10,000	1,158	8,842
Other consultants	3,000	4,000	3,987	13
Maintenance and Repairs:				
Communications equipment	3,000	3,000	-	3,000
Office equipment	1,000	1,055	1,270	(215)
Vehicles	5,000	5,000	33	4,967
Internet	1,000	1,000	686	314
Fuel-Vehicles	2,500	2,500	728	1,772
Supplies and Materials				
Office supplies	5,000	5,000	779	4,221
Custodial supplies	-	-	19	(19)

Continued

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING EXPENSES - BUDGETARY BASIS (Cont.)				
Supplies and Materials (Cont.)				
Postage	\$ 200	\$ 600	\$ 577	\$ 23
Small equipment purchases	5,000	\$ 5,000	\$ 162	4,838
Utilities:				
General telephone	2,200	2,500	1,990	510
Cell phones and pagers	2,000	2,000	1,068	932
Other Charges				
Board meeting expenses	-	-	12	(12)
Dues and memberships	1,000	1,000	692	308
Insurance:				
Vehicles	1,500	1,500	1,112	388
Premiums on surety bonds	1,000	1,000	840	160
Public education	100	650	500	150
Training expenses	8,000	8,000	6,954	1,046
Travel expenses	3,000	3,000	1,031	1,969
Depreciation	8,793	8,793	-	8,793
<u>Total Operating Expenses - Budgetary Basis</u>	<u>\$ 187,614</u>	<u>\$ 194,782</u>	<u>\$ 141,059</u>	<u>\$ 53,723</u>
<u>Operating Income - Budgetary Basis</u>	<u>\$ (20,445)</u>	<u>\$ 29,009</u>	<u>\$ 93,050</u>	<u>\$ 64,041</u>
NON-OPERATING REVENUES - BUDGETARY BASIS				
Investment income	\$ -	\$ -	1,949	\$ 1,949
Interest income	2,000	2,000	3,954	1,954
State grants and reimbursements	97,043	125,043	120,470	(4,573)
Miscellaneous income	-	-	36	36
	<u>99,043</u>	<u>127,043</u>	<u>126,409</u>	<u>(634)</u>
<u>Net Income - Budgetary Basis</u>	<u>\$ 78,598</u>	<u>\$ 156,052</u>	<u>\$ 219,459</u>	<u>\$ 63,407</u>

Continued

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

RECONCILIATION TO GAAP

Net income-Budgetary Basis	\$ 219,459
Adjustments For:	
Fixed assets capitalized	-
Revenues to accrual basis	(18,225)
Expenses to accrual basis	(3,011)
Depreciation expense	<u>(41,686)</u>
<u>Change in Net Assets</u>	<u>\$ 156,537</u>

See the independent auditor's report.

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2010

<u>Grantor Program Title</u>	<u>Grant Number</u>	<u>Balance July 1, 2008</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance June 30, 2009</u>
Tennessee Emergency Communications Board GIS Maintenance Grant	Z-08-211937	\$ -	\$ 10,000	\$ 10,000	\$ -

See independent auditor's report.

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF INFORMATION REQUIRED BY
TENNESSEE EMERGENCY COMMUNICATIONS BOARD-UNAUDITED

FOR THE YEAR ENDED JUNE 30, 2010

A. There is one public safety answering point (PSAP).

B. The address of the PSAP is:

126 Crook Avenue
Henderson, TN 38340

C. The PSAP uses a Positron 911 Phone System.

D. The Director of the District is:

Jessica Reddin
P. O. Box 34
Henderson, TN 38340
Phone: (731) 989-2119
Fax: (731) 989-2107

E. The Chairman of the District is:

Lynn Helton
105 South Franklin Ave.
Henderson, TN 38340
Phone: (731) 989-2236
Fax: (731) 989-2107

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

www.atacpa.net

109-A Crook Avenue
(731) 989-5520
PO Box 385
Henderson, TN 38340

Telephone:
Fax: (731) 989-3411

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Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements performed in accordance with *Government Auditing Standards*

Board of Directors
Chester County Emergency Communications District
Henderson, Tennessee

We have audited the financial statements of Chester County Emergency Communications District (a component unit of Chester County, Tennessee) (the District) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

McKenzie, TN
Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Chester County Emergency Communications District
Henderson, Tennessee

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated September 15, 2010.

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

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

Certified Public Accountants
Henderson, Tennessee
September 15, 2010