

Cozart & Associates, PC

Certified Public Accountants

Haywood County Emergency
Communication District

*Financial Statements
And Supplementary Information
For the Year Ended June 30, 2010*

*29 North Lafayette Avenue
Brownsville, TN 38012*

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2010

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Certified Public Accountants

29 N LAFAYETTE

BROWNSVILLE, TN 38012

TELEPHONE: 731-772-2273

FAX: 731-772-2275

KENNETH COZART, CPA

MEMBER:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Haywood County Emergency Communications District

We have audited the accompanying financial statements of the Haywood County Emergency Communications District (the "District"), a component unit of Haywood County, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 respective financial position of the business-type activities of the Haywood County Emergency Communications District, as of June 30, 2010 and the respective changes in financial position, cash flows thereof, for the year 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 February 14, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 and should be considered in assessing the results of our audit.

The Management Discussion and Analysis on pages 4 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Haywood County Emergency Communications District's basic financial statements. The accompanying supplementary information, such as the budgetary comparison on page 13 and the Schedule of State Awards on page 14 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison and Schedule of State Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Roster of Management Officials and Board Members on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Certified Public Accountant
Kenneth Cozart and Associates, CPA, PC
Brownsville, Tennessee

February 14, 2011

**MANAGEMENT'S DISCUSSION AND ANALYSIS
HAYWOOD COUNTY EMERGENCY COMMUNICATION DISTRICT (911)
FOR YEAR ENDED JUNE 30, 2010**

As management of Haywood County Emergency Communications District (the District), we offer readers of the Haywood County Emergency Communication District's financial statements this narrative overview the analysis of financial activities of the District for the fiscal year ended June 30, 2010. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analyses of key elements of total funds have been provided.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD & A) serves as an introduction to financial statements, and should be read in conjunction with, the financial statements and other supplementary information. Summary financial data, key financial and operational indicators are made up of three sections: 1) the introductory section, 2) the financial section, 3) 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, and the financial statements with accompanying notes. The internal control and compliance section includes the report on internal control over financial reporting and compliance.

REQUIRED FINANCIAL STATEMENTS

Due to the District being a single governmental fund entity, and receiving fund through the wireless charges, the enterprise fund statements are used to prepare financial statements. Enterprise funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenue are recognized when they are earned and expenses are recognized as a liability is incurred.

The following statements are included in the financial statements of the District.

The Statement of Net Assets includes all of the District's assets and obligations to the District's creditor (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in 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:

- 1) measures the success of the District's operation;
- 2) determines whether the District has been successful to recover all of its costs;
- 3) measures the District's profitability and credit creditworthiness.

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.

Budgetary Comparison Schedule presents the results of activities over the course of the fiscal year in comparison with the original and final budget. An additional column is presented showing the difference between the final budget and the actual expenses for the year.

ENTERPRISE FUND FINANCIAL ANALYSIS

Statement of Net Assets - As noted earlier, net assets may serve as a useful indicator of the district's financial position. In the case of the District, assets exceeded liabilities by \$815,579 at the close of the most recent fiscal year. A portion of the District's net assets (12.0%) reflects its investment in capital assets (e.g., land, building, machinery, equipment and infrastructure); less any related debt used to acquire those assets that all still outstanding. Although the District's investment in its capital assets is reported net of related debt, it should be noted that repayment of the debt must be provided from other resources, since the capital assets cannot be used to liquidate these liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont.)

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>\$ Variance</u>	<u>% Variance</u>
Current and Other Assets	\$724,644	\$564,947	\$159,697	128.27%
Capital Assets (net of Accumulated Dep)	<u>93,702</u>	<u>112,864</u>	<u>(19,162)</u>	83.02%
Total Assets	\$818,346	\$677,811	\$140,535	120.73%
Current Liabilities	2,767	2,458	309	112.57%
Long-term Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	0.00%
Total Liabilities	2,767	2,458	309	112.57%
Invested in Capital Assets	93,702	112,864	(19,162)	83.02%
Unrestricted	<u>721,877</u>	<u>562,489</u>	<u>(1,284,366)</u>	128.34%
Total Net Assets	<u><u>\$815,579</u></u>	<u><u>\$675,353</u></u>	<u><u>\$140,226</u></u>	120.76%

During the 2010 fiscal year, the Districts net assets increased by \$140,226. The increase is the result of increase in revenues.

Statement of Activities -- Revenues exceeded expenses by \$140,691.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Increase (Decrease)</u>	
			<u>\$ Variance</u>	<u>% Variance</u>
Operating Revenue	\$268,121	\$229,201	\$38,920	116.98%
Non-Operating Revenue	<u>6</u>	<u>20,328</u>	<u>(20,322)</u>	0.03%
Total Revenues	268,127	249,529	18,598	107.45%
Operating Expenditures	108,274	96,566	11,708	112.12%
Depreciation	<u>19,162</u>	<u>19,162</u>	<u>0</u>	100.00%
Total Expenditures	127,436	115,728	11,708	110.12%
Change in Net Assets	140,691	133,801	6,890	-105.15%
Beginning Net Assets	675,353	524,325	4,818	-128.80%
Prior Period Adjustment	(465)	17,227	(17,692)	
Beginning Net Assets - restated	<u>674,888</u>	<u>541,552</u>	<u>133,336</u>	124.62%
Ending Net Assets	<u><u>\$815,579</u></u>	<u><u>\$675,353</u></u>	<u><u>\$127,352</u></u>	120.76%

MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

COMMENTS ON FUND FINANCIAL STATEMENTS

The District uses proprietary fund accounting to ensure and demonstrate compliance with finance-related requirements.

Enterprise Funds -- The focus of the District's enterprise fund is to provide information on cash inflows from shared wireless charges, outflows for related expenses, and balances of spendable resources. Such information are necessary to assess the District's financial requirements.

In particular, unrestricted fund balance may serve as useful measure of a government's net resources available for spending at the end of fiscal year to meet obligations of creditors and operational requirements of the District.

Revenues in the enterprise fund increased by \$18,598 in fiscal 2010 in comparison with 2009 year. The significant changes in the current period were revenue received in the form of donated assets from the TENA, shared wireless charges from AT & T and other telephone service providers.

Expenses in the enterprise fund increased by \$11,708 in 2010 in comparison with prior year. The significant expenses were usual and consistent in comparison with 2009.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets -- At the end of fiscal year, the District had invested \$93,702 net of accumulated depreciation in a variety of capital assets. Accumulated depreciation at the end of period was \$123,720. Depreciation expense during the current period was \$19,162.

Long-Term Debt -- At the end of current fiscal year, the District had no long-term debt.

REQUEST FOR INFORMATION

This financial report is prepared to provide a general overview of the District's finances for citizens, taxpayers, customer, investors, creditors and all other with an interest in the Districts finances. Questions concerning any information provided in this report or requests for additional finance information should be addressed to:

Haywood County Emergency Communications District
County Mayor -- Executive
1 N. Washington
Brownsville, TN 38012

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Business-type Activities - Enterprise Fund</u>	<u>Total</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$717,444	\$717,444
Accounts Receivable	7,089	7,089
Accrued Interest - Receivable	111	111
Total Current Assets	<u>724,644</u>	<u>724,644</u>
Noncurrent Assets:		
Capital Assets:		
Communications Equipment	217,422	217,422
Less: Accumulated Depreciation	<u>(123,720)</u>	<u>(123,720)</u>
Total Noncurrent Assets	<u>93,702</u>	<u>93,702</u>
Total Assets	<u>818,346</u>	<u>818,346</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	<u>2,767</u>	<u>2,767</u>
Total Current Liabilities	<u>2,767</u>	<u>2,767</u>
NET ASSETS		
Invested in Capital Assets	93,702	93,702
Unrestricted	<u>721,877</u>	<u>721,877</u>
Total Net Assets	<u><u>\$815,579</u></u>	<u><u>\$815,579</u></u>

Notes to financial statements are an integral part of this statement.

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

	Business-type Activities - Enterprise Fund	Total
Operating Revenues:		
Charges for sales and services:		
Emergency Telephone Service Charges	\$10,100	\$10,100
Shared Wireless Charges	71,503	71,503
Tennessee Emergency Communications Board - Operating Fund	176,518	176,518
Other Income	6	6
Total Operating Revenues	<u>258,127</u>	<u>258,127</u>
Operating Expenses:		
Administrative Personnel	4,200	4,200
Director	3,600	3,600
Dispatchers	47,874	47,874
Audit Services	1,500	1,500
Equipment Rental	26,493	26,493
Office Supplies	188	188
Postage	350	350
Dues/Memberships	168	168
Travel	3,401	3,401
Professional Consulting	4,495	4,495
Education/Continued	6,303	6,303
Building Inspection	6,000	6,000
Depreciation	19,162	19,162
Data Software, GIS	3,640	3,640
Miscellaneous	62	62
Total Operating Expenses	<u>127,436</u>	<u>127,436</u>
Operating Income	<u>130,691</u>	<u>130,691</u>
Nonoperating Revenues (Expenses):		
Interest Income	0	0
Tennessee Emergency Communications Grant	10,000	10,000
Total Nonoperating Revenues (Expenses)	<u>10,000</u>	<u>10,000</u>
Change in Net Assets	140,691	140,691
Total Net Assets - Beginning	675,353	675,353
Prior Period Adjustment (Note IV)	<u>(465)</u>	<u>(465)</u>
Net Assets - Beginning - Restated	<u>674,888</u>	<u>674,888</u>
Total Net Assets - Ending	<u><u>\$815,579</u></u>	<u><u>\$815,579</u></u>

Notes to financial statements are an integral part of this statement.

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from Surcharges and Other Revenues	\$285,346	\$285,346
Cash payments to suppliers	(52,600)	(52,600)
Cash payments to employees	(55,674)	(55,674)
Net cash provided by operating activities	<u>177,072</u>	<u>177,072</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions from other governments	<u>10,000</u>	<u>10,000</u>
Net cash provided by noncapital financing activities	<u>10,000</u>	<u>10,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant income	0	0
Net cash used by capital and related financing activities	<u>0</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>0</u>	<u>0</u>
Net cash provided by investing activities	<u>0</u>	<u>0</u>
Net Increase in Cash and Cash Equivalents	187,072	187,072
Cash and Cash Equivalents - July 1	<u>530,372</u>	<u>530,372</u>
Cash and Cash Equivalents - June 30	<u><u>\$717,444</u></u>	<u><u>\$717,444</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income	<u>\$130,691</u>	<u>\$130,691</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation Expense	19,162	19,162
Decrease (Increase) in accounts receivable	24,507	24,507
Decrease (Increase) in other assets	2,403	2,403
Increase in accounts payable	309	309
Total Adjustments	<u>46,381</u>	<u>46,381</u>
Net cash provided by operating activities	<u><u>\$177,072</u></u>	<u><u>\$177,072</u></u>

Notes to financial statements are an integral part of this statement.

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

I.A.1. INTRODUCTION

The Haywood County Emergency Communications District (the District), a component unit of Haywood County, is a quasi-municipality which was formed in order to establish and provide emergency communications services to the occupants of Haywood County. Revenues are received from a tariff charged and collected by area telephone companies. The District's Board is appointed by the County. The County is provided with the Board's budget for information purposes prior to the beginning of the respective fiscal year. The board of directors for communication districts have responsibility for all major budget decisions.

The accounting and reporting framework and the more significant accounting principles and practices of the Haywood County Emergency Communications District are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the District's financial activities for the fiscal year June 30, 2010.

I.B.1. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Fund Financial Statements

Fund Financial Statements are provided for the proprietary fund which is considered a major fund. There are no non-major funds that should be reported in a separate column.

I.B.2. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued November 30, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The District has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating activities of the District are charges to customers for services. Operating expenses for this fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

I.B.3. FUND TYPES AND MAJOR FUNDS

Proprietary Funds

Enterprise Fund - reports as the fund of the District. This fund is used to account for all financial resources. There are no other funds used in the District.

I.C.1. CASH , INVESTMENTS AND REGULATIONS

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalent. State statute's authorize the government and the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the Emergency Communications District are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulation. The reported value of the pool is the same as the fair value of the pool shares. As of June 30, 2010, investments consisted entirely of certificate of deposits with a local bank.

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

JUNE 30 ,2010

I.C.1. CASH, INVESTMENTS AND REGULATIONS (CONT.)

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. Collateral is required for demand deposits and certificate of deposits at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. As of June 30, 2010, there was no exposure to custodial credit risk due to being entirely covered by federal depository insurance and pledged collateral held by the pledging financial institution's agency in the entity's name.

Haywood County Emergency Communications District has disbursed its cash and investments in two different banks to eliminate custodial credit risk, since each depositor of each financial institution is insured up to \$250,000 by Federal Deposit Insurance Corporation. The investment of certificate of deposit for \$364,521.87 and \$41,000.00 are deposited with a financial institution that is within the Tennessee Bank Collateral Pool. Therefore, the remaining amount of \$155,521.34 that is not insured by FDIC is secured. The checking account is with another financial institution and is within the Tennessee Bank Collateral Pool, as well. The balance of \$373,947.31 is insured by FDIC \$250,000 and remaining is secured with the collateral.

I.C.2. CAPITAL ASSETS AND DEPRECIATION

The District's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The District generally capitalizes assets with cost of \$1,000.00 or more at time of purchase. The cost of normal maintenance and repairs that do not add to the asset value or materiality extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40
Improvements	40
Furniture, Machinery, and Equipment	7-10
Vehicles	5

I.C.3. FUND EQUITY

The proprietary fund financial statements report restricted net assets for amounts not available for appropriation or legally restricted for specified purposes.

II.A. BUDGETARY INFORMATION

II.A.1. BUDGET POLICY AND PRACTICE

The District's Chairman of the Board submits an annual budget to the Board. The budget is presented to the Board for review and discussion of the allocation of resources. Once approved, the Board may amend the legally adopted when unexpected modifications are required in estimated revenues and appropriations.

II.B.2. BASIS OF BUDGETING

The fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenses are budgeted by class as follows: salaries, compensation related, services and supplies, computer and equipment supplies, travel, equipment rental, core material, and miscellaneous. Expenses may not exceed appropriations.

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Cont.)
June 30, 2010

The budget for the operating funds are prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued.

Budgetary Information

The County Commission is provided with the District's budget for information purposes prior to the beginning of the respective fiscal year. Once approved the Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. However, final authority on all major decisions rests with the County Commission.

During the year ended June 30, 2010, expenditures exceeded the budget level of appropriations.

III. DETAILED NOTES ON FUND

III.A.1. RECEIVABLES

Accounts receivable are tariffs due from area telephone companies with the next month. Revenue is recorded when eligibility requirements are met.

III.A.2. CAPITAL ASSETS

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	<u>Capital Assets Depreciated</u> <u>Equipment</u>
Primary Government	
<i>Business-Type Activities</i>	
Balance June 30, 2009	\$217,422
Increases	0
Decreases	0
Adjustments	0
Prior Period Adjustment	0
Balance June 30, 2010	<u>\$217,422</u>
Accumulated Depreciation	
Balance June 30, 2009	(\$104,558)
Increases	(19,162)
Decreases	
Balance June 30, 2010	<u>(123,720)</u>
<i>Business -Type Activities</i>	
Capital Assets, Net	<u>\$93,702</u>

III.B.1. RISK MANAGEMENT - CLAIMS AND ADJUSTMENTS

The District is vulnerable to two types of losses. The first is the physical loss of fixed assets from theft, fire, etc. The other is from civil action based on negligence in relation to the disposition of emergency calls. Neither of these losses have occurred since the District's inception. However, the District has third party insurance coverage that is adequate in order to cover any occurrence.

IV. PRIOR PERIOD ADJUSTMENT

The net assets was overstated because the accrued interest was overstated.

Fund Balance - Beginning	\$675,353
Less: Adjustment to Accrued Interest	<u>(465)</u>
Fund Balance - Beginning - Restated	<u>\$674,888</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Operating Revenues:				
Emergency Telephone Service Charge	\$67,500	\$67,500	\$10,100	(\$57,400)
Shared Wireless Charge	40,322	40,322	71,503	31,181
Tennessee Emergency Communications Board - Operating Fund	96,168	96,168	176,518	80,350
Other Income	<u> </u>	<u> </u>	<u> 6</u>	<u> 6</u>
Total Revenues	<u>203,990</u>	<u>203,990</u>	<u>258,127</u>	<u>54,137</u>
Operating Expenses:				
Administrative Personnel	4,200	4,200	4,200	0
Dispatchers	3,600	3,600	3,600	0
Director	46,500	46,500	47,874	(1,374)
Audit Services	1,500	1,500	1,500	0
Legal Services	1,000	1,000	0	1,000
Professional Consulting Fees	<u> </u>	<u> </u>	4,495	<u> </u>
Equipment Rental - Communications	31,500	31,500	26,493	5,007
Office Supplies	1,000	1,000	188	812
Postage	350	350	350	0
Dues/Memberships	250	250	168	82
Surety Bonds	450	450	0	450
Travel Expenses	4,500	4,500	3,401	1,099
Continued Education	0	0	6,303	(6,303)
Building Inspection	6,000	6,000	6,000	0
Depreciation	20,000	20,000	19,162	838
Data Software - GIS	0	0	3,640	(3,640)
Miscellaneous	<u> 0</u>	<u> 0</u>	<u> 62</u>	<u> (62)</u>
Total Expenses	<u>120,850</u>	<u>120,850</u>	<u>127,436</u>	<u>1,611</u>
Operating Income	83,140	83,140	130,691	52,526
Nonoperating Revenue (Expenses):				
Interest Income	1,000	1,000	0	(1,000)
Tennessee Emergency Communications Grant	<u> 0</u>	<u> 0</u>	<u> 10,000</u>	<u> 10,000</u>
Total Nonoperating Revenues (Expenses)	<u> 1,000</u>	<u> 1,000</u>	<u> 10,000</u>	<u> 9,000</u>
Increase (Decrease) in Net Assets	84,140	84,140	140,691	61,526
Net Assets - Beginning	675,353	675,353	675,353	0
Prior Period Adjustment (Note IV)	<u> (465)</u>	<u> (465)</u>	<u> (465)</u>	<u> 0</u>
Net Assets - Beginning - Restated	674,888	674,888	674,888	0
Net Assets - Ending	<u> \$759,028</u>	<u> \$759,028</u>	<u> \$815,579</u>	<u> \$61,526</u>

Notes to financial statements are an integral part of this statement.

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF INFORMATION REQUIRED BY
THE TENNESSEE EMERGENCY COMMUNICATIONS BOARD
YEAR ENDED JUNE 30, 2010**

Number of public safety answering points (PSAP):	1
Address of the PSAP:	Haywood County Emergency Communications District 1 N Washington Ave. Brownsville, TN 38012
Type of system/equipment and databased used by PSAP:	Positron System/Lifeline 100 Program from Bell South - Intrado
Chairman's name, address, phone and fax numbers:	Joe Stephens 1 N. Washington Brownsville, TN 38012 phone: 731-772-1432 fax: 731-772-3864

HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
June 30, 2010

	Grant Number	Contract Date	State Grant Amount	Beginning Balance	Receipts	Expenditures	Ending Balance
Department of Commerce and Insurance	Z-03016982	01/15/08 - 06/30/12	\$44,575	\$0	\$10,000	\$10,000	\$0
			<u>\$44,575</u>	<u>\$0</u>	<u>\$10,000</u>	<u>\$10,000</u>	<u>\$0</u>

Cozart & Associates PC

Certified Public Accountants
29 N LAFAYETTE
BROWNSVILLE, TN 38012
TELEPHONE: 731-772-2273
FAX: 731-772-2275

KENNETH COZART, CPA

MEMBER:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Haywood County Emergency Communications District

We have audited the financial statements of the Haywood County Emergency Communications District (the "District"), as of and for the year ended June 30, 2010, and have issued our report thereon dated February 14, 2011. 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 the Haywood County Emergency Communications 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 combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will be prevented, or detected and corrected on a timely basis.

Our consideration of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Haywood County 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 Standard* and which are described in the accompanying schedule of findings.

Haywood County Emergency Communications District's response to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's response and, accordingly we express no opinion on it.

This report is intended solely for the information and use of the Haywood County Emergency Communications District's audit committee, management, County Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant
Kenneth Cozart & Associates, CPA, PC
Brownsville, Tennessee

February 14, 2011

**HAYWOOD COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010**

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the accompanying financial statements of the Haywood County Emergency Communications District.
2. No material weaknesses identified or significant deficiencies identified that are considered to be material weaknesses.
3. There was one instance of noncompliance disclosed during the audit.

Findings - Financial Statement Audit

Current Year Findings

2010 - 01 Exceeding Budgeted Expenditures (Non-compliance)

Condition:	Expenditures exceeded appropriations allowed by the budget resulting in an instance of noncompliance.
Criteria:	Tennessee Code Annotated 6-56-203 prohibits expenditures of funds except in accordance with an authorized budget. Further it requires a budget for all funds, except proprietary and fiduciary.
Effect:	Expenditures in excess of the budgeted amounts are unauthorized.
Recommendation:	We recommend that budgets be reviewed on a regular basis and amendments be made when necessary.
Management:	In the future, we will work to amend the budget when necessary and to adhere to the budget that is approved.