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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

CHESTER COUNTY EMERGENCY
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INTRODUCTORY SECTION

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
JUNE 30, 2011

SCHEDULE OF OFFICIALS

Lynn Helton, chairman
Jim Vest, vice-chairman
Cyndi Kilzer, secretary
Renee Phelps, treasurer
Mike Burkhead
Johny Farris
Robert W. King
Al McKinnon
Blair Weaver
Glenn Bryan

Management Official

Jessica Reddin, Executive Director

Independent Certified Public Accountants

Alexander Thompson Arnold PLLC
Henderson, Tennessee

FINANCIAL SECTION

ALEXANDER THOMPSON ARNOLD PLLC

Certified Public Accountants

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Members of

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

We have audited the accompanying financial statements of the Chester County Emergency Communications District (a discretely presented component unit of Chester County, Tennessee) (the District) as of and for the year ended June 30, 2011, 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, 2011, 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 March 16, 2012, 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 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
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 3 through 6 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 were 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.

Alexander Thompson Arnold PLLC

Certified Public Accountants
Henderson, Tennessee
March 16, 2012

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, 2011. 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 $672 thousand and exceeded liabilities in the amount of $672 thousand (i.e. net assets). Total assets increased by $59 thousand due to increased investment in certificates of Deposit.
- Net assets increased $53 thousand during the current year also due to the increased investment in certificates of deposit mentioned above.
- Operating revenues were $250 thousand, an increase from year 2010 in the amount of $26 thousand or 11.70%.
- Operating expenses were $211 thousand, an increase from year 2010 in the amount of $26 thousand or 13.75%.
- The operating income for the year was $39 thousand as compared to a $39 thousand operating income during the 2010 fiscal year.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the District's strategic plan, budget and other management tools were used for this analysis. The financial report is made up of 4 sections: 1) the introductory section, 2) the financial section, 3) the other supplemental information, and 4) the internal control and compliance section. The introductory section includes the District's directory. The financial section includes the MD&A, the independent auditor's report and, the financial statements with accompanying notes. The other supplemental section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

REQUIRED FINANCIAL STATEMENTS

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

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

The *Statement of Net 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 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 $53 thousand for the fiscal year ended June 30, 2011. 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

	June 30, 2011	June 30, 2010	$	%
Current and other assets	$ 479,060	$ 368,673	$ 110,387	29.94%
Capital assets	193,225	245,035	(51,810)	-21.14%
Total assets	672,285	613,708	58,577	9.54%
Total liabilities	7,834	2,013	5,821	289.17%
Investment in capital assets	193,225	245,035	(51,810)	-21.14%
Unrestricted net assets	471,226	366,660	104,566	28.52%
Total net assets	$ 664,451	$ 611,695	$ 52,756	8.62%

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 due to increased investment in certificates of deposit.

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

			Increase (Decrease)	
	June 30, 2011	June 30, 2010	$	%
Operating revenues	$ 249,936	$ 223,763	$ 26,173	11.70%
Non-operating revenues	13,937	118,373	(104,436)	-88.23%
Total revenues	263,873	342,136	(78,263)	-22.87%
Salaries and wages	69,065	68,897	168	0.24%
Employee benefits	14,668	15,921	(1,253)	-7.87%
Contracted services	52,848	42,662	10,186	23.88%
Supplies and materials	2,784	5,202	(2,418)	-46.48%
Other charges	10,712	11,231	(519)	-4.62%
Depreciation	61,040	41,686	19,354	46.43%
Total expenses	211,117	185,599	25,518	13.75%
Change in net assets	52,756	156,537	(103,781)	-66.30%
Beginning net assets	611,695	455,158	156,537	34.39%
Ending net assets	$ 664,451	$ 611,695	$ 52,756	8.62%

Operating revenues showed an 11.70% increase from 2010 to 2011. Operating Expenses increased by 13.75%. The increase in expenses is due to increased depreciation expense on assets (upgraded PSAP) during the prior year.

CAPITAL ASSETS

At the end of the fiscal year 2011, the system had $193 thousand (net of accumulated depreciation) invested in a broad range of District capital assets. This investment includes automobiles, equipment and various fixtures and pieces of furniture. Based on the uses of the aforementioned assets, they are classified for financial purposes as furniture and fixtures, office equipment, communication equipment and vehicles. This investment represents an overall decrease (net of increases and decreases) of $52 thousand or 21.14% 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, 2011.

	2011	2010	$	%
Furniture and fixtures	$ 24,900	$ 27,940	$ (3,040)	-10.88%
Office equipment	4,118	2,576	1,542	59.86%
Communication equipment	164,207	212,431	(48,224)	-22.70%
Vehicles	-	2,088	(2,088)	-100.00%
Total capital assets, net of accumulated depreciation	$ 193,225	$245,035	$ (51,810)	-21.14%

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, 2011

Assets	
Current assets	
Cash and cash equivalents	$ 157,309
Certificates of deposit	310,305
Accounts receivable	5,596
Prepaid expenses	5,850
Total current assets	479,060
Noncurrent Assets	
Capital assets	
Furniture and fixtures	31,844
Office equipment	14,528
Communication equipment	320,290
Vehicles	17,900
Less accumulated depreciation	(191,337)
Total capital assets	193,225
Total assets	672,285
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	2,818
Payroll payable	4,535
Compensated absences payable	481
Total current liabilities	7,834
Total Liabilities	7,834
Net Assets	
Investment in capital assets	193,225
Unrestricted net assets	471,226
Total net assets	$ 664,451
Total Liabilities and Net Assets	**$ 672,285**

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, 2011

Operating Revenues	
Emergency telephone service charge	$ 58,585
State Emergency Communications Board - shared wireless charge	40,560
State Emergency Communications Board - operational funding	150,791
Total operating revenues	249,936
Operating Expenses	
Salaries and wages	69,065
Employee benefits	14,668
Contracted services	52,848
Supplies and materials	2,784
Other charges	10,712
Depreciation	61,040
Total operating expenses	211,117
Operating Income	38,819
Non-operating Revenues	
Interest income	3,936
TECB - grants and reimbursements	10,000
Miscellaneous revenue	1
Total nonoperating revenues	13,937
Income before captial contributions	52,756
Capital Contributions	
Capital contributions from TECB	-
Changes in net assets	**52,756**
Net Assets, July 1, 2010	611,695
Net Assets, June 30, 2011	$ 664,451

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, 2011

Cash Flows from Operating Activities:		
Cash received from services	$	254,219
Cash paid to suppliers of goods and services		(65,058)
Cash paid for employees' services		(79,198)
Net cash provided by operating activities		109,963
Cash Flows from Non-capital Financing Activities:		
State grants & reimbursements for GIS, CAD, and mapping		10,000
Net cash provided by non-capital financing activities		10,000
Cash Flows from Capital and Related Financing Activities:		
Acquisition of fixed assets		(9,230)
Net cash used by financing activities		(9,230)
Cash Flows from Investing Activities:		
Purchase of investments		(310,305)
Sale of investments		108,941
Interest on investments		3,936
Net cash provided by investing activities		(197,428)
Net decrease in cash		**(86,695)**
Cash and Cash Equivalents, July 1, 2010		244,004
Cash and Cash Equivalents, June 30, 2011	$	157,309
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	38,819
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		61,040
Changes in assets and liabilities:		
Accounts receivable		4,283
Accounts payable		5,821
Net cash provided by operating activities	**$**	**109,963**

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

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.

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. Any purchase of equipment, either for office or system use, purchased at a price in excess of $10,000 and with a expected life span of at least 5 years shall be considered a Capital Asset and carried on the books as such.

Depreciation has been provided over the estimated useful lives of the 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. 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, 2011, $443,389 of the District's bank balance was covered by federal depository insurance, and the remaining bank balance of $61,398 was covered by the Tennessee Bank Collateral Pool.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

Description	Balance 7/1/10	Additions	Disposals	Balance 6/30/11
Capital assets, being depreciated				
Furniture and fixtures	$ 31,844	$ -	$ -	$ 31,844
Office equipment	15,954	3,569	4,995	14,528
Communication equipment	314,629	5,661	-	320,290
Vehicles	17,900	-	-	17,900
Total capital assets being depreciated	$ 380,327	$ 9,230	$ 4,995	$ 384,562
Less accumulated depreciation				
Furniture and fixtures	3,904	3,041		6,945
Office equipment	13,378	2,026	4,995	10,409
Communication equipment	102,198	53,885		156,083
Vehicles	15,812	2,088	-	17,900
Total accumulated depreciation	135,292	61,040	4,995	191,337
Total capital assets, net	$ 245,035	$ (51,810)	$ -	$ 193,225

Depreciation is recognized over the estimated useful lives of the property and equipment of 3 to 10 years using the straight-line method.

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, 2011, 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 $2,189.

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: Depreciation expense, $49,568

OTHER SUPPLEMENTAL SECTION

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
For the Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance Under (Over)
Operating Revenues				
Emergency telephone service charge	$ 56,000	$ 56,000	$ 58,585	$ 2,585
SECB - share wireless charge	25,000	25,000	40,560	15,560
SECB - operational funding	160,791	160,791	150,791	(10,000)
	241,791	241,791	249,936	8,145
Operating Expenses				
Salaries and wages				
Director	29,424	29,424	29,424	-
Dispatchers	30,000	30,000	30,000	-
Part-time personnel	12,500	12,500	9,641	2,859
Total salaries and wages	71,924	71,924	69,065	2,859
Employee benefits				
Social security/medicare	2,600	2,600	2,551	49
Medicare	577	577	438	139
Medical insurance	1,800	1,800	1,491	309
Unemployment compensation	350	350	310	40
Retirement contributions	2,200	2,200	2,189	11
Other fringe benefits	150	150	-	150
Total employee benefits	7,677	7,677	6,979	698
Contracted services				
Addressing	10,000	10,000	7,689	2,311
Advertising	1,000	1,000	59	941
Audit services	5,000	5,000	3,500	1,500
Accounting services	2,150	2,150	2,130	20
Fees paid to service providers	40,000	40,000	31,309	8,691
Legal services	50	50	50	-
Maintenance agreements	12,100	12,100	12,053	47
Other consultants	4,000	4,000	714	3,286
Maintenance and repairs:				
Communications equipment	16,000	16,000	262	15,738
Office equipment	2,000	2,000	965	1,035
Vehicles	5,000	5,000	660	4,340
Fuel-vehicles	2,500	2,500	1,146	1,354
Total contracted services	$ 99,800	$ 99,800	$ 60,537	$ 39,263

See independent auditor's report.

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE (GAAP Basis)
For the Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance Under (Over)
Operating Expenses				
Supplies and materials				
Office supplies	$ 5,000	$ 5,000	$ 228	$ 4,772
Postage	200	200	91	109
Small equipment purchases	5,000	5,000	-	5,000
Uniforms and shirts	200	200	44	156
Utilities:				
General telephone	2,500	2,500	1,168	1,332
Cell phones and pagers	2,000	2,000	1,173	827
Total Supplies and Materials	14,900	14,900	2,704	12,196
Other charges				
Bank charges	100	100	80	20
Dues and memberships	1,000	1,000	362	638
Insurance:				
Vehicles	1,500	1,500	1,045	455
Premiums on surety bonds	1,000	1,000	630	370
Public education	600	600	-	600
Training expenses	8,000	8,000	5,894	2,106
Travel expenses	3,000	3,000	1,202	1,798
Internet	1,000	1,000	961	39
Other charges	1,000	1,000	618	382
Total other charges	17,200	17,200	10,792	6,408
Depreciation	11,472	11,472	61,040	(49,568)
Total operating expenses	222,973	222,973	211,117	68,508
Operating income (loss)	18,818	18,818	38,819	20,001
Non-Operating Revenues				
Interest income	2,000	2,000	3,936	1,936
TECB - grants and reimbursements	-	-	10,000	10,000
Miscellaneous revenue	-	-	1	1
Total nonoperating revenues	2,000	2,000	13,937	11,937
Income before captial contributions	20,818	20,818	52,756	31,937
Changes in net assets	**20,818**	**20,818**	**52,756**	**31,937**
Net Assets, July 1, 2010	611,695	611,695	611,695	-
Net Assets, June 30, 2011	$ 632,513	$ 632,513	$ 664,451	$ 31,937

See independent auditor's report.

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF STATE AWARDS
For the Year Ended June 30, 2011

Grantor Program Title	Grant Number	Balance July 1, 2010	Receipts	Disbursments	Balance June 30, 2011
Tennessee Emergency Communications Board					
GIS Maintenance Grant	Z-08-211937	$ -	$ 10,000	$ 10,000	$ -

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

ALEXANDER THOMPSON ARNOLD PLLC

Certified Public Accountants

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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, 2011, and have issued our report thereon dated March 16, 2012. 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

Management is responsible for establishing and maintaining effective 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
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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses.

We noted certain matters that we reported to management of the District in a separate letter dated March 16, 2012.

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.

Alexander Thompson Arnold PCCC

Certified Public Accountants
Henderson, Tennessee
March 16, 2012

CHESTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011

FINDINGS ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Prior year findings:

None

Current Year Findings

11-01 Condition – The district did not have sufficient fidelity bond coverage in effect for certain employees and Board members at year ended June 30, 2011.

Criteria – Per TCA Section 7-86-119, The minimum amount of such required bond shall be determined from the amount of revenues handled by the respective emergency communications district during the last audit approved by the Comptroller of the Treasury. The minimum amount of the bond shall be based on revenues as follows:

1. Less than fifty thousand dollars, a base bond of five thousand dollars

2. From fifty thousand dollars to five hundred thousand dollars, an amount equal to ten percent of the revenues handled by the district.

Effect – Fidelity bond coverage over certain Board members and employees is not sufficient.

Recommendation – We recommend that District personnel and Board members annually review fidelity bond coverage amounts and adjust as needed based on prior year revenues in order to remain in compliance.

Response – We will review prior year revenues and adjust fidelity bond coverage accordingly.