EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

FINANCIAL STATEMENTS

June 30, 2008

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EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

ROSTER OF EMPLOYEES AND BOARD MEMBERS

June 30, 2008

Employee	Title
Mr. Raymond Chiozza	Director
Ms. Pat Evans	Office Manager
Ms. Sue Robbins	Public Education Coordinator
Mr. Harold Truebger	Systems Technician

Board Member	Officer Position (if applicable)	Committee
Mr. Henry Brenner	Chairman	Executive, Personnel, Finance, Building, Technical
Ms. Lois Stockton	Vice Chairman	Executive, Finance, Building, Personnel
Mr. Samuel King	Secretary/Treasurer	Executive, Finance
Mr. William Hughes		Building, Personnel
Mr. Mike Molder		Technical, Public Education
Dr. Barbara Duncan-Cody		Public Education, Nominating
Ms. Sandra Richards		Public Education, Technical

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Emergency Communications District of Shelby County, Tennessee
Memphis, Tennessee

We have audited the accompanying financial statements of the Emergency Communications District of Shelby County, Tennessee (a component unit of Shelby County, Tennessee) (the District) as of and for the year ended June 30, 2008, as listed in the table of 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Emergency Communications District of Shelby County, Tennessee (a component unit of Shelby County, Tennessee) as of June 30, 2008, and the change in financial position 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 December 23, 2008, on our consideration of the District's internal control over financial reporting and our test 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

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

The Emergency Communications District of Shelby County, Tennessee has not presented the management's discussion and analysis as required by GASB 34, "*Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*," that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Watkins Uiberall, PLLC

Memphis, Tennessee
December 23, 2008

EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

STATEMENT OF NET ASSETS

June 30, 2008

Assets	
Current Assets	
Cash and cash equivalents	$ 2,603,804
Investments	17,993,386
Accounts receivable - telecommunication companies	854,290
Accrued interest income	177,105
Prepaids	274,604
Total current assets	21,903,189
Capital Assets	
Capital assets, being depreciated, net	1,141,058
	$ 23,044,247
Liabilities and Net Assets	
Current Liabilities	
Accounts payable - trade	$ 97,863
Compensated absences	25,486
Accrued expenses	900
Total current liabilities	124,249
Net Assets	
Invested in capital assets	1,141,058
Unrestricted	21,778,940
Total net assets	22,919,998
	$ 23,044,247

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

EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2008

Operating Revenues	
Emergency telephone service charge	$ 5,572,914
State Emergency Communications Board - shared wireless charge	2,072,958
State Emergency Communications Board - operational funding	918,619
Total operating revenues	8,564,491
Operating Expenses	
Salaries and wages	211,478
Employee benefits	76,791
Contracted services	2,123,429
Supplies and materials	33,494
Other charges	560,110
Depreciation	1,081,551
Total operating expenses	4,086,853
Operating income	4,477,638
Non-Operating Revenue (Expense)	
Investment income - net of investment fees of $36,840	687,601
Net increase in the fair value of investments	98,610
Interest income	8,978
Impairment loss	(1,911,508)
Total non-operating revenue (expense)	(1,116,319)
Change in net assets	3,361,319
Net assets - beginning	19,558,679
Net assets - ending	$ 22,919,998

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

EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2008

Cash Flows Provided By (Used For) Operating Activities	
Cash received from customers	$ 8,615,268
Cash payments to suppliers	(2,694,910)
Cash payments to employees	(285,383)
Net cash provided by operating activities	5,634,975
Cash Flows Used For Capital and Related Financing Activities	
Purchases of capital assets	(412,500)
Cash Flows From (Used For) Investing Activities	
Purchase of investments	(72,237,752)
Proceeds from maturities of investments	63,961,251
Investment income received	763,623
Net cash used for investing activities	(7,512,878)
Decrease in cash and cash equivalents	(2,290,403)
Cash and cash equivalents at beginning of the year	4,894,207
Cash and cash equivalents at end of the year	$ 2,603,804

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

EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

STATEMENT OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2008

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Cash Flows Provided By (Used For) Operating Activities	
Operating income	$ 4,477,638
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	1,081,551
Changes in Assets and Liabilities	
Accounts receivable	50,777
Accounts payable - trade	(16,302)
Compensated absences	2,886
Accrued expenses	900
Prepaids	37,525
Total adjustments	1,157,337
Net cash provided by operating activities	$ 5,634,975
Supplemental Cash Flow Information:	
Noncash Investing and Financing Activities:	
Impairment loss	$ 1,911,508

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

The Emergency Communications District of Shelby County, Tennessee (a component unit of Shelby County, Tennessee) (the District) was established on November 21, 1984, pursuant to the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The District is responsible for establishing local emergency telephone service and a primary emergency telephone number for the residents of Shelby County, Tennessee. The District is governed by a nine member board of directors, which is appointed by the Mayor of Shelby County, Tennessee, and approved by the Board of Commissioners of Shelby County, Tennessee. The District is subject to the will of the Board of Commissioners of Shelby County, Tennessee. The Board has the authority to levy an emergency telephone service charge to be used to fund the operation of the District.

Basis and Method of Accounting

Enterprise funds account for operations (a) that are financed and operated in a manner similar to private enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Therefore, the financial statements of the Emergency Communication District of Shelby County, Tennessee (a component unit of Shelby County, Tennessee) are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

The District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Emergency telephone service charge fees are recognized as revenue when earned.

Cash and Cash Equivalents

For purpose of the statement of cash flows, the District considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Investments

Investments are stated at market value based on quoted market prices.

Capital Assets

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to ten years. Depreciation expense for the year ended June 30, 2008 was $1,081,551.

Net Assets

Net assets are displayed in three components:

a. Invested in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions enabling legislation.

c. Unrestricted net assets – all other net assets that do not meet the definition of "restricted" or "invested in capital assets."

NOTE 2 - COMPENSATED ABSENCES

District employees are granted sick and annual leave in varying amounts in accordance with administrative policies. No more than twice the annual amount of vacation may be accumulated at any one time. Vacation may be accumulated in an excessive amount only if the vacation request has been denied based on the needs of the District office. Payment in lieu of vacation will only be allowed upon separation or other termination of employment. Remaining vacation will be paid to the designated beneficiary in the event of death of the employee. Generally, employees are reimbursed for accumulated sick leave, not to exceed 75 days, only upon retirement.

NOTE 3 - CONCENTRATION OF CREDIT RISK

All fee revenue is derived from emergency telephone service charge fees collected and remitted by the various telephone companies. The District's existence is dependent upon these fees and the use of AT&T's telephone lines and equipment. The District's agreement with AT&T for use of its equipment is presently on a month-to-month basis. Approximately 60% of the District's service fees are derived from AT&T and approximately 40% are derived from wireless and VOIP fees collected by the Emergency Communications Board and various other landline carriers. At June 30, 2008, the receivables balance was 35% from AT&T and 65% from Emergency Communications Board and various other landline carriers.

NOTE 4 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Statutes authorize the District to invest in obligations of the United States Treasury, obligations guaranteed as to principal and interest by the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks, savings and loan associations, federal chartered banks, savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, banker's acceptances meeting specific rating criteria, commercial paper meeting specific rating criteria, and the state pooled investment fund.

Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

The District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC insures the first $250,000 of the City's deposits at each financial institution. Deposit balances over $250,000 are insured by the collateral pool. State statutes provide for additional amounts to be assessed on a pro rata basis to financial institutions in the collateral pool in the event that the pool's funds would be insufficient to cover a loss. As of year end, the carrying amount of the District's demand deposits was $2,603,804 and the bank balances totaled $2,612,099.

The District limits its exposure to interest rate risk by diversifying its investments.

At year end, the District had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in years) Less than 1	1-5	Concentration
Federal Home Loan Bank	$ 8,814,874	$ 1,953,890	$ 6,860,984	49%
Federal Home Loan Mortgage Corporation	6,156,754	502,500	5,654,254	34%
Federal National Mortgage Association	2,144,922	251,250	1,893,672	12%
Federal Farm Credit Bank	876,836	-	876,836	5%
	$ 17,993,386	$ 2,707,640	$ 15,285,746	100%

Credit quality distribution for investments, with credit exposure as a percentage of total investments are as follows at year end:

Investment Type	Rating	Percentage
Federal Home Loan Bank	AAA	49%
Federal Home Loan Mortgage Corporation	AAA	34%
Federal National Mortgage Association	AAA	12%
Federal Farm Credit Bank	AAA	5%

NOTE 5 - REIMBURSEMENT TO MUNICIPALITIES

The District has determined that the municipalities participating in the emergency telephone service system should be reimbursed for costs incurred in the ongoing operation of the system. The municipalities are reimbursed at a rate of $.45 per citizen per year based on the 2000 census. The reimbursement is paid in monthly installments of $.0375 per citizen. The District also reimburses the municipalities for the use of a language line service that assists in translating foreign language speaking callers. Reimbursements for language line service are based on the number of minutes the service is utilized. Included in contracted services are total impact payments of $403,862 and language line payments of $80,519 for the year ended June 30, 2008.

NOTE 6 - COMMITMENTS

The District leases office space under a 1-year lease, expiring February 28, 2008. The lease is renewable for additional one-year terms. Rent expense under the lease agreement totaled $11,412. Future minimum lease requirements for the years ending June 30 are as follows:

	2009	2010	2011	2012
Shelby Farms	$ 6,657	$ -	$ -	$ -
NNN Lenox	38,147	115,634	118,515	70,126
	$ 44,804	$ 115,634	$ 118,515	$ 70,126

The District has entered into a lease agreement with Shelby County for fifteen acres of land in the event that the District constructs a facility on the property. The lease term will be 50 years renewable for three additional ten year terms. The rent expense is $1 per year.

NOTE 7 - RETIREMENT PLAN

Plan Description

Employees of Emergency Communications District of Shelby County, Tennessee are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Emergency Communications District of Shelby County, Tennessee participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at http://treasury.state.tn.us/tcrs/PS/.

Funding Policy

Emergency Communications District of Shelby County, Tennessee has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Emergency Communications District of Shelby County, Tennessee is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 15.80% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Emergency Communications District of Shelby County, Tennessee is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2008, Emergency Communications District of Shelby County, Tennessee's annual pension cost of $33,363 to TCRS was equal to Emergency Communications District of Shelby County, Tennessee's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Emergency Communications District of Shelby County, Tennessee's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 13 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	$ 33,363	100.00%	$0
June 30, 2007	$ 30,704	100.00%	$0
June 30, 2006	$ 18,865	100.00%	$0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 86.68% percent funded. The actuarial accrued liability for benefits was $0.55 million, and the actuarial value of assets was $0.48 million, resulting in an unfunded actuarial accrued liability (UAAL) of $0.07 million. The covered payroll (annual payroll of active employees covered by the plan) was $0.19 million, and the ratio of the UAAL to the covered payroll was 38.03% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	$480	$554	$74	86.68%	$194	38.03%

Required Supplementary Information

Schedule of Funding Progress for the Emergency Communications District:

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	$480	$554	$74	86.68%	$194	38.03%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

NOTE 8 - RISK MANAGEMENT

The District is exposed to potential loss including theft, property damage, public liability, or breach of contract. The District maintains commercial insurance policies in force to handle the above exposures. In the past three fiscal years, the District had no settlements in excess of insurance coverage.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Construction in progress	$ 1,911,508	$ -	$ 1,911,508	$ -
Capital Assets, Being Depreciated:				
Equipment	$ 5,732,476	$ 412,500	$ 161,651	$ 5,983,325
Vehicles	30,873	-	-	30,873
Furniture and fixtures	13,756	-	9,321	4,435
Total capital assets being depreciated	5,777,105	412,500	170,972	6,018,633
Less Accumulated Depreciation For:				
Equipment	3,945,176	1,075,376	155,645	4,864,907
Vehicles	2,058	6,175	-	8,233
Furniture and fixtures	13,756	-	9,321	4,435
Total accumulated depreciation	3,960,990	1,081,551	164,966	4,877,575
Total capital assets being depreciated, net	$ 1,816,115	$ (669,051)	$ 6,006	$ 1,141,058

See Note 11 for explanation of the decrease in construction in progress.

NOTE 10 - OPERATIONAL FUNDING PROGRAM

The Tennessee Emergency Communications Board (TECB) unanimously voted to adopt the following new operational funding program for the Emergency Communications Districts (ECDs):

The TECB will distribute $14 million per year to the districts as a contribution to the districts' operating expenses, in furtherance of the statutory directive to distribute excess revenue "for the purposes of promoting uniform 911 service." Assuming fund availability, the annual distribution will not be reduced except by unanimous vote of the Board. The distribution may be increased by a simple majority vote.

The funds will be divided among the districts as follows: first, $40,000 will be allocated to each of the 101 districts to help cover the minimum service costs incurred by all ECDs. Next, the remaining funds ($9,960,000) will be divided among the districts based on seven (7) population groups. A set amount will be allocated to each group based on the average operating expenses of the ECDs in each group, determined from an analysis of 2004-2005 audited financial statements. Each ECD in a group will get the same dollar amount. The funding will be paid as a contribution to each ECD's operating expenses. Payments will be made every two months, at the same time the

TECB makes the statutory distribution to ECDs of 25% of the wireless revenue. Districts therefore will receive 1/6 of the allocation each August, October, December, February, April, and June. The Districts' portion of this funding was $1,071,619 for the year ended June 30, 2008.

NOTE 11 - LOSS ON IMPAIRMENT

The District has terminated its obligation to build a new Emergency Communications Center with the help of the City of Memphis and Shelby County because of a failure of the other parties to comply with its terms and because the building now would be impractical and non-feasible. The District would not be able to issue $30 million in bonds on its own and it is likely the cost of constructing a new facility would surpass $30 million at this time. Also, the City of Memphis and Shelby County have made other arrangements for housing their respective call takers. Architect fees and other pre-construction expenses of $1,911,508 associated with the new facility will be considered impaired due to the termination of the project.

EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
Operating Revenues	$ 8,568,671	$ 8,568,671	$ 8,564,491	$ (4,180)
Operating Expenses				
Salaries and wages	207,160	211,478	211,478	-
Employee benefits	90,204	89,886	76,791	13,095
Contracted services	2,710,582	2,488,428	2,123,429	364,999
Supplies and materials	66,964	85,429	33,494	51,935
Other charges	745,146	750,946	560,110	190,836
Depreciation	-	1,067,160	1,081,551	(14,391)
Total operating expenses	3,820,056	4,693,327	4,086,853	606,474
Operating income	4,748,615	3,875,344	4,477,638	602,294
Non-Operating Revenue (Expense)				
Investment income - net of investment fees of $36,840	-	-	687,601	687,601
Net increase in the fair value of investments	-	-	98,610	98,610
Interest income	-	-	8,978	8,978
Impairment loss	-	-	(1,911,508)	(1,911,508)
Total non-operating revenue	-	-	(1,116,319)	(1,116,319)
Change in net assets	$ 4,748,615	$ 3,875,344	$ 3,361,319	$ (514,025)

See independent auditor's report.

EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

SCHEDULE OF DETAILED EXPENSES

For the Year Ended June 30, 2008

4000	Salaries and Wages	
4001	Director	$ 72,089
4002	Administrative personnel	139,389
		211,478
4100	Employee Benefits	
4101	Social security	19,430
4103	Life insurance	8,143
4104, 4105	Medical/dental insurance	15,687
4107	Unemployment compensation	168
4108	Retirement contributions	33,363
		76,791
4200	Contracted Services	
4201	Addressing/mapping expenses	35,000
4203	Audit Services	10,800
4204	Accounting services	3,958
4208	Contracts with private agencies	14,930
4215	Impact payments	403,862
4217	Legal services	23,829
4218	Maintenance agreements	588,941
4227	Lease/rental - communications equipment	872,101
4228	Lease/rental - buildings and facilities	11,412
4230	Lease/rental - office equipment	2,738
4232	Maintenance and repairs - communications	70,598
4235	Maintenance and repairs - vehicles	4,741
4237	Language line	80,519
		2,123,429

See independent auditor's report.

EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

SCHEDULE OF DETAILED EXPENSES (CONTINUED)

For the Year Ended June 30, 2008

4300	Supplies and Materials	
4233	Building and facilities	521
4234	Office equipment	1,318
4301	Office supplies	1,403
4302	Custodial supplies	108
4303	Data processing supplies	1,744
4304	Postage	1,423
4305	Small equipment purchases	494
4310	Utilities - general telephone	10,373
4311	Utilities - cell phones and pagers	14,969
4312	Printing	1,141
		33,494
4400	Other Charges	
4005	Data processing personnel	1,168
4401	Bank charges	1,988
4402	Board meeting expenses	2,976
4405	Dues and memberships	4,281
4407	Insurance - workers compensation	1,512
4409	Insurance - buildings and contents	15,072
4411	Insurance - vehicles	1,428
4412	Legal notices	1,661
4414	Premiums on surety bonds	5,743
4415	Public education	446,647
4417	Service awards	502
4418	Training expenses	38,548
4419	Travel expenses	37,550
4420	Internet charges	1,032
4499	Miscellaneous charges	2
		560,110
4500	Depreciation	1,081,551
	Total operating expenses	$ 4,086,853

See independent auditor's report.

EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

SCHEDULE OF INFORMATION REQUIRED BY THE TENNESSEE EMERGENCY COMMUNICATIONS BOARD

For the Year Ended June 30, 2008

There are fourteen public safety answering points (PSAPs) as listed below:

	PSAPs	Address	Phone No.	Fax No.
1	Bartlett Police Department	3730 Appling Road Bartlett, TN 38133	901-385-5510	901-385-5513
2	Collierville Police Department	478 Keough Collierville, TN 38017	901-853-3207	901-853-3241
3	Germantown Police Department	1930 S. Germantown Road Germantown, TN 38138	901-757-7338	901-757-7211
4	Memphis Fire Department	79 S. Flicker Street Memphis, TN 38104	901-320-5300	901-458-8379
5	Memphis Police Communications	201 Poplar Ave. Room 12-25 Memphis, TN 38103	901-543-2710	901-576-2635
6	Shelby County Fire Department	1075 Mullins Station Road Memphis, TN 38134	901-379-7070	901-379-7057
7	Shelby County Sheriff	1075 Mullins Station Road Memphis, TN 38134	901-379-7625	901 379-7041
8	Millington Police Department	7950 Memphis Millington, TN 38053	901-872-3333	901-873-2161
9	Naval Support Activities	7800 Third Ave. Bld. S 2 Millington, TN 38054	901-874-5522	901-874-5649
10	Collierville Backup	2823 Houston Levee Road Collierville, TN 38017	-	-
11	Memphis Fire Backup	333 E. Parkway-N Memphis, TN 38104	-	-
12	Memphis Police Backup	79 S. Flicker Street Memphis, TN 38104	-	-

See independent auditor's report.

EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

SCHEDULE OF INFORMATION REQUIRED BY THE TENNESSEE EMERGENCY COMMUNICATIONS BOARD (CONTINUED)

June 30, 2008

	PSAPs	Address	Phone No.	Fax No.
13	SCSO Backup	11670 Memphis Arlington Arlington, TN 38002	-	-
14	Shelby County 911 District Offices	6470 Haley Road Memphis, TN 38134	901-380-3911	901-380-4707

All PSAPs within the Emergency Communications District of Shelby County use Plant Equipment, Inc., Vesta M1 or Pallas 9-1-1 controller equipment which is owned by the Emergency Communications District of Shelby County. There is no on-site database, rather the 9-1-1 database is owned by AT&T and managed by the District. The cost of the database is included with the monthly fee paid to AT&T. That database resides in both Nashville and Birmingham in AT&T facilities.

Director	Chairman
Raymond Chiozza	Henry Brenner
6470 Haley Road	P.O. Box 770548
Memphis, TN 38134	Memphis, TN 38117
Phone: 901-380-3911	Phone: 901-322-3902
Fax: 901-380-4707	Fax: 901-322-3901

See independent auditor's report.

WATKINS UIBERALL

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

The Board of Directors
Emergency Communications District of Shelby County, Tennessee
Memphis, Tennessee

We have audited the financial statements of the Emergency Communications District of Shelby County, Tennessee (a component unit of Shelby County, Tennessee) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 23, 2008. 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 the *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 Emergency Communications District of Shelby County, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Emergency Communications District of Shelby County, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Emergency Communications District of Shelby County, Tennessee's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Emergency Communications District of Shelby County, Tennessee's ability to initiate, authorize, record, process, or report financial data reliably in

accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Emergency Communications District of Shelby County, Tennessee's financial statements that is more than inconsequential will not be prevented or detected by the Emergency Communications District of Shelby County, Tennessee's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as 2008-01, 2008-02, and 2008-03 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-01 and 2008-3 to be a material weakness.

Compliance and Other Matters

As 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.*

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

Watkins Uiberall, PLLC

Memphis, Tennessee
December 23, 2008

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2008

Finding 2008-01

Material Weakness: During our audit, we noted that the District had attempted to reconcile the investments through the services of an outside bookkeeper; however, the statements were still not accurately reconciled to detail records. Material adjustments were made to the financial statements to record the activity.

Recommendation: We recommend that all investment transactions be properly recorded in detail records and accumulated, classified, and summarized in control accounts and that reconciliation between investment statements and detailed subsidiary records be prepared and then reviewed by a responsible person on a monthly basis.

Response: The District contracts with an outside bookkeeper to complete the reconciliation of all investments accounts. They rely on this bookkeeper to record all investment activity. They have contracted with a different outside bookkeeper that will prepare the monthly reconciliations in a timely manner.

Finding 2008-02

Significant Deficiency: During our audit, we noted that the bank reconciliations were not being prepared timely and were not being reviewed by management. This was a finding in the prior year as well.

Recommendation: We recommend that the bank reconciliations be prepared monthly and reviewed for accuracy and completeness on a timely basis by the Director. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined, addressed, and journal entries be recorded as necessary.

Response: The District contracts with an outside bookkeeper to complete the reconciliations of all bank accounts. They rely on this bookkeeper to reconcile all bank accounts. They have contracted with a different outside bookkeeper that will prepare the monthly reconciliations in a timely manner. The District has also installed a network version of their accounting software that will enable the Director to view reconciliation reports. The Director will review the reconciliations on a monthly basis.

Finding 2008-03

Material Weakness: During the audit, we made numerous adjusting journal entries to properly state account balances, including net assets, as of year end. This was a finding in the prior year as well. Material adjustments to the financial statements were made regarding investments and prepaid expenses.

Recommendation: We recommend that the District make the appropriate adjusting journal entries on a monthly basis to provide more accurate internal financial reporting during the year.

Response: The District has contracted with a new outside bookkeeper to assist them in reviewing and adjusting accounts monthly rather than just at year end.