

**FAYETTE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT  
(a component unit of Fayette County, Tennessee)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2009**

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## INTRODUCTORY SECTION

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT****SCHEDULE OF OFFICIALS**

JUNE 30, 2009

<u>Officials</u>	<u>Position</u>
Connie Doyle	Chairman
Ray Seals	Co-Chairman
Danny Daniel	Secretary
Will Bowling	Board Member
Bobby Riles	Board Member
Tom Day	Board Member
Patricia Tate	Board Member
Jean Watkins	Board Member
Jeff Whitehorn	Board Member
Dave Harris	Attorney

Management Official

Carolann Mason, Executive Director

Independent Certified Public AccountantsAlexander Thompson Arnold, PLLC  
Jackson, Tennessee

## FINANCIAL SECTION



Certified Public Accountants

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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 Auditors' Report

Board of Directors  
Fayette County Emergency Communications District  
Somerville, Tennessee

We have audited the accompanying financial statements of the Fayette County Emergency Communications District (District) (a component unit of Fayette County, Tennessee) as of and for the year then ended June 30, 2009, which comprise the District's basic financial statements, 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 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 District as of June 30, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009, 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  
Fulton, KY  
Henderson, TN  
Jackson, TN  
Martin, TN

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

The management's discussion and analysis on pages 4 through 7 and the required supplementary information on page 16 are not a required part of the basic financial statements but are 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and the other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the District. The other supplementary information, except that which has been marked "unaudited" has been subjected to the auditing procedures applied in the audit of the accompanying financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and the schedule of information required by Tennessee Emergency Communications Board have not been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, accordingly, we express no opinion of them.

A handwritten signature in black ink that reads "Alexander Thompson Arnold, CPA". The signature is written in a cursive style with a large, stylized initial 'A'.

Certified Public Accountants

Jackson, Tennessee  
October 28, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Fayette 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, 2009. 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 \$1.119 million and exceeded liabilities in the amount of \$1.116 million (i.e. net assets).
- Net assets increased \$ 253 thousand during the current year due to increase in revenue from state operational funding, landline rate increase, and earned interest from certificates of deposits.
- During fiscal year 2009, the District's Public Service Answering Points answered a total of 12,107 calls. The estimated 911 call volume total for 2008 was 13,012.
- Operating revenues were \$475 thousand, an increase from year 2008 in the amount of \$63 thousand or 15.36%.
- Operating expenses were \$261 thousand, a increase from year 2008 in the amount of \$39 thousand or 17.35%.
- The operating income for the year was \$214 thousand as compared to a \$190 thousand during the 2008 fiscal year.
- The ratio of operating income to total operating revenue was 1:2 for 2009 and 1:3 for 2008.

### 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 auditors' report, the financial statements with accompanying notes, and the supplementary information. The other supplementary information section includes selected 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-term 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 Revenue, 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 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 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 \$253 thousand for the fiscal year ended June 30, 2009. The analysis on the following page focuses on the District's net assets (Table 1) and changes in net assets (Table 2) during the year.

Table 1  
**CONDENSED STATEMENT OF NET ASSETS**

	June 30, 2009	June 30, 2008	Increase (Decrease)	
			\$	%
Current and other assets	\$ 827,402	\$ 531,212	\$ 296,190	55.76
Capital assets	290,489	332,678	(42,189)	-12.68
Other assets	742	1,632	(890)	-54.53
Total assets	<u>\$ 1,118,633</u>	<u>\$ 865,522</u>	<u>\$ 253,111</u>	29.24
Total liabilities	<u>2,139</u>	<u>2,388</u>	<u>(249)</u>	-10.43
Investment in capital assets	290,489	332,678	(42,189)	-12.68
Unrestricted net assets	<u>826,005</u>	<u>530,456</u>	<u>295,549</u>	55.72
Total net assets	<u>\$ 1,116,494</u>	<u>\$ 863,134</u>	<u>\$ 253,360</u>	29.35

The increase in capital assets is due to the purchase of new equipment. The increase in current and other assets was due to an increase in accounts receivable and cash during the year, resulting in an overall increase in net assets for the year.

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

	June 30, 2009	June 30, 2008	Increase (Decrease)	
			\$	%
Operating revenues	\$ 475,485	\$ 412,173	\$ 63,312	15.36%
Non-operating revenues	38,838	139,387	(100,549)	-72.14%
Total revenues	<u>514,323</u>	<u>551,560</u>	<u>(37,237)</u>	-6.75%
Salaries and wages	56,387	54,932	1,455	2.65%
Employee benefits	13,565	13,505	60	0.44%
Contracted services	100,103	84,759	15,344	18.10%
Supplies and materials	6,343	9,840	(3,497)	-35.54%
Other charges	34,486	15,408	19,078	123.82%
Depreciation & Amortization	50,079	43,932	6,147	13.99%
Total expenses	<u>260,963</u>	<u>222,376</u>	<u>38,587</u>	17.35%
Change in net assets	253,360	329,184	(75,824)	-23.03%
Beginning net assets	<u>863,134</u>	<u>533,950</u>	<u>329,184</u>	61.65%
Prior period adjustment	-	-	-	
Beginning net assets-restated	<u>863,134</u>	<u>533,950</u>	<u>329,184</u>	61.65%
Ending net assets	<u>\$ 1,116,494</u>	<u>\$ 863,134</u>	<u>\$ 253,360</u>	29.35%

Operating revenues showed a 15.36% increase from 2008 to 2009. Expenses increased from 2008 to 2009 by a total of 17.35%.

## CAPITAL ASSETS

At the end of fiscal year 2009, the system had \$290 thousand (net of accumulated depreciation) invested in the District's capital assets. This investment includes communications and office equipment, an automobile, 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. Assets purchased in include a radio building to house the radio equipment at the EOC (Emergency Operations Center). This is located at the EMA office and will be used as a secondary PSAP or to relocate the PSAP if needed in an emergency situation. Thus, the decrease (net of increases and decreases) of \$42 thousand or 12.68% from last year is due to the purchase of new equipment during 2008 for the new offices at the Justice complex.

The following tables summarize the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2009. These changes are presented in detail in Note 4 to the financial statements.

Table 3  
**CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION**

	June 30,	June 30,	Increase (Decrease)	
	2009	2008	\$	%
Furniture and fixtures	\$ 4,235	\$ 5,606	\$ (1,371)	-24.46%
Office equipment	8,135	9,100	(965)	-10.60%
Communication equipment	267,352	303,037	(35,685)	-11.78%
Vehicles	10,767	14,935	(4,168)	-27.91%
Total capital assets, net of accumulated depreciation	\$ 290,489	\$ 332,678	\$ (42,189)	-12.68%

The District plans on using existing and future financial resources to continue upgrading existing systems and equipment.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District plans on purchasing a CAD (computer aided dispatch) system in 2009-10 to assist the dispatchers in handling calls more effectively. The district has, also, worked diligently to have funds in reserve that would equal to the district's annual expenses. This has been accomplished with several investments into CDs and other interest bearing bank accounts. The district plans to continue to support the dispatch center with state of the art communications equipment and continuing education/training for the dispatchers, while continuing to remain a financially sound and stable district. Plans are being made for a state-wide broadband network for all 9-1-1 systems to be capable of linking together. The district has planned for this with the selection of equipment that has been purchased over the last two years, as well as, the planned equipment purchases in the near future.

## 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 Fayette County Emergency Communications District, 705 Justice; Somerville, TN 38068.

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**STATEMENT OF NET ASSETS**

JUNE 30, 2009

ASSETS AND LIABILITIES

CURRENT ASSETS

Cash and cash equivalents	\$	744,072
Accounts receivable		24,193
Due from Tennessee Emergency Communications Board		44,779
Accrued interest receivable		5,351
Prepaid expenses		9,007
<u>Total Current Assets</u>		<u>827,402</u>

NONCURRENT ASSETS

CAPITAL ASSETS

Furniture and fixtures		8,627
Office equipment		30,668
Communication equipment		350,175
Vehicles		22,415
Total Capital Assets		<u>411,885</u>
Less accumulated depreciation		<u>(121,396)</u>
<u>Net Capital Assets</u>		<u>290,489</u>

OTHER ASSETS

Intangible costs		49,150
Less accumulated amortization		<u>(48,408)</u>
<u>Total Other Assets</u>		<u>742</u>

<u>Total Noncurrent Assets</u>		<u>291,231</u>
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<u>Total Assets</u>		<u>1,118,633</u>
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CURRENT LIABILITIES

Compensated absences payable		2,218
Payroll taxes payable		<u>(79)</u>
<u>Total Current Liabilities</u>		<u>2,139</u>

<u>Total Assets less Liabilities</u>		<u>\$ 1,116,494</u>
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NET ASSETS

Investment in capital assets	\$	290,489
Unrestricted net assets		<u>826,005</u>
<u>Total Net Assets</u>		<u>\$ 1,116,494</u>

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

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**

FOR THE YEAR ENDED JUNE 30, 2009

OPERATING REVENUES	
Emergency telephone service charge	\$ 293,505
Tennessee Emergency Communications Board - shared wireless charge	77,899
Tennessee Emergency Communications Board - operational funding	<u>104,081</u>
<u>Total Operating Revenues</u>	<u>\$ 475,485</u>
OPERATING EXPENSES	
Salaries and wages	\$ 56,387
Employee benefits	13,565
Contracted services	100,103
Supplies and materials	6,343
Other charges	34,486
Depreciation	49,189
Amortization	<u>890</u>
<u>Total Operating Expenses</u>	<u>\$ 260,963</u>
OPERATING INCOME	<u>\$ 214,522</u>
NON-OPERATING REVENUES AND EXPENSES	
Interest income	\$ 3,994
Investment income	6,269
State emergency communications board-grants and reimbursements	<u>28,575</u>
<u>Net Non-operating Revenues</u>	<u>\$ 38,838</u>
<u>Change in Net Assets</u>	<u>\$ 253,360</u>
NET ASSETS, JULY 1, 2008	<u>863,134</u>
NET ASSETS, JUNE 30, 2009	<u>\$ 1,116,494</u>

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

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2009

**INCREASE IN CASH AND CASH EQUIVALENTS**

Cash Flows from Operating Activities:

Cash received from AT&T and others	\$ 441,528
Cash paid to suppliers of goods and services	(135,659)
Cash paid for employees' services	<u>(70,201)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 235,668</u>

Cash Flows from Capital and Related Financing Activities:

State grant for GIS mapping	\$ 14,575
Acquisition of fixed assets	<u>(7,000)</u>
<u>Net Cash Provided by Capital and Related Financing Activities</u>	<u>\$ 7,575</u>

Cash Flows from Investing Activities:

Interest received	<u>\$ 5,650</u>
<u>Net Cash Provided by Investing Activities</u>	<u>\$ 5,650</u>

<u>Net Increase in Cash</u>	\$ 248,893
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CASH AND CASH EQUIVALENTS, JULY 1, 2008	<u>495,179</u>
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CASH AND CASH EQUIVALENTS, JUNE 30, 2009	<u><u>\$ 744,072</u></u>
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**RECONCILIATION OF OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 214,522
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	50,079
State reimbursement for dispatch training	14,000
Changes in assets and liabilities:	
Accounts receivable	(33,957)
Prepaid expenses	(8,727)
Accounts payable	<u>(249)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 235,668</u>

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

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT****NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2009

**NOTE 1 - ORGANIZATION AND REPORTING ENTITY**

The Fayette County Emergency Communications District (District) (a component unit of Fayette County, Tennessee) was established by voter referendum in November, 1988, and the assessment of service fees began May 1989.

The purpose of the District is to provide a simplified means of securing emergency services by telephone to those persons living in Fayette County, Tennessee.

The District is considered a component unit of the County because its Board of Directors is appointed by the Fayette County Commission. The Fayette County Commission must approve any long-term debt issuance by the District, and also has the authority to decrease, but not increase, the user fees charged by the District.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District's financial statements have been prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the *Governmental Accounting Standards Board (GASB)*, *Financial Accounting Standards Board (FASB) Statements and Interpretations*, *Accounting Principle Board (APB) Opinions*, and *Accounting Research Bulletins (ARBs)*, issued on or before November 30, 1989. After this date, the District has elected to apply only the 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 measurements 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 balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Enterprise Fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

**B. Cash and Cash Equivalents:**

Cash and cash equivalents include amounts in demand deposits.

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Accounts Receivable:

Accounts receivable represent amounts due from AT&T, other various telephone companies and state wireless charges.

D. Capital Assets:

The capital assets are recorded at historical cost. Maintenance repairs and minor renewals are expensed as incurred.

Depreciation has been provided over the estimated useful lives of the capital assets by the straight-line method. The estimated useful lives are as follows:

Furniture, fixtures, equipment, and vehicles	5 - 20 years
Building improvements	20 years

E. Compensated Absences:

The District allows full-time employees one day of vacation per month. The vacation days will have monetary value, and may be accrued, but only 15 days may be carried over at December 31. A liability is reflected in the financial statements for \$1,197.

The District allows employees to accrue one day per month sick leave. These days can be accrued; however, they have no monetary value, and employees will not be paid for accrued sick days upon termination. Therefore, no liability is reflected in the financial statements.

NOTE 3 - CASH AND INVESTMENTS

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, 2009, \$356,909 of the District's bank balance was covered by federal depository insurance, and the remaining \$408,376 was covered by the Tennessee Bank Collateral Pool.

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONT.)**

JUNE 30, 2009

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year was as follows:

Description	Balance 7/1/08	Additions	Retirements	Balance 6/30/09
Capital assets, being depreciated				
Furniture and fixtures	\$ 8,628	\$ -	\$ -	\$ 8,628
Office equipment	30,667	-	-	30,667
Communication equipment	343,175	7,000	-	350,175
Vehicles	22,415	-	-	22,415
Leasehold improvements	-	-	-	-
Total capital assets being depreciated	<u>404,885</u>	<u>7,000</u>	<u>-</u>	<u>411,885</u>
Less accumulated depreciation				
Furniture and fixtures	3,022	1,371	-	4,393
Office equipment	21,567	965	-	22,532
Communication equipment	40,138	42,685	-	82,823
Vehicles	7,480	4,168	-	11,648
Leasehold improvements	-	-	-	-
Total accumulated depreciation	<u>72,207</u>	<u>49,189</u>	<u>-</u>	<u>121,396</u>
Total capital assets, net	<u>\$ 332,678</u>	<u>\$ (42,189)</u>	<u>\$ -</u>	<u>\$ 290,489</u>

**NOTE 5 - COMMITMENTS**

The District has contracted with AT&T for the provision of services relating to the operation of the VIPER system. The monthly obligation by the District under the contract is \$5,094 for a 60 month period.

**NOTE 6 - FUNDING SOURCES**

Funds for operations are provided by monthly fees from service users in Fayette County and also by the Tennessee Emergency Communications Board. AT&T and alternate local exchange carriers collect service fees from the county users and remit funds to the District. The State remits a percentage of the shared wireless charges based on the District's population.

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT****NOTES TO FINANCIAL STATEMENTS (CONT.)**

JUNE 30, 2009

**NOTE 7 - RETIREMENT PLAN**

Plan Description: Employees of the District 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 five 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 become vested after five 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 Fayette County 911 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, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us/tcrs/PS/](http://www.treasury.state.tn.us/tcrs/PS/).

Funding Policy: The District requires employees to contribute 5.0 percent of earnable compensation.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 6.74% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost: For the year ending June 30, 2009, the District's annual pension cost of \$3,209 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2007 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 investments over a five year period. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 16 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 2009

NOTE 7 - RETIREMENT PLAN (Cont.)

Fiscal Year Ending	Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 3,209	100%	\$ -
June 30, 2008	\$ 35,473	100%	\$ -
June 30, 2007	\$ 3,576	100%	\$ -

Funding Status and Funding Progress:

As of July 1, 2007, the most recent actuarial valuation date, the plan was 46.15% percent funded. The actuarial accrued liability for benefits was \$0.03 million, and the actuarial value of assets was \$0.01 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.02 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0 million, and the ration of the UAAL to the covered payroll was 38.18% 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.

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) / (5)
7/1/2007	\$ 18,000	\$ 39,000	\$ 21,000	46.15%	\$ 55,000	38.18%

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.

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

JUNE 30, 2009

Schedule of Funding Progress						(6)
	(1)	(2)	(3)	(4)	(5)	UAAL as a Percentage of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (2) - (1)	Funded Ratio (1) / (2)	Covered Payroll	(3) / (5)
7/1/2007	\$ 18,000	\$ 39,000	\$ 21,000	46.15%	\$ 55,000	38.18%

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 cost method was a change made during the year, and therefore, only the most current year is presented.

See independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Amended Budget	Actual	Variance (Over) Under
<b>OPERATING REVENUES - BUDGETARY BASIS</b>				
Emergency telephone service charge	\$ 300,000	\$ 300,000	\$ 295,108	(4,892)
State Emergency Communications Board	55,000	55,000	58,858	3,858
State ECB - operational funding	104,000	104,000	87,006	(16,994)
	<u>\$ 459,000</u>	<u>\$ 459,000</u>	<u>\$ 440,972</u>	<u>\$ (18,028)</u>
<b>OPERATING EXPENSES - BUDGETARY BASIS</b>				
Salaries and Wages				
Director	\$ 41,652	\$ 41,652	\$ 41,652	-
Administrative personnel	22,000	13,715	13,715	-
Employee Benefits				
Social security/medicare	4,950	4,950	4,236	714
Medical insurance	6,345	6,345	6,091	254
Unemployment premiums	390	390	55	335
Retirement contributions	4,300	4,300	3,184	1,116
Contracted Services				
Mapping	15,000	-	-	-
Advertising	250	250	-	250
Accounting services	500	-	-	-
Audit services	3,700	3,795	3,795	-
Impact fee	24,000	24,000	24,000	-
Legal services	1,000	250	244	6
Maintenance and Repairs:				
Communications equipment	62,180	63,750	63,726	24
GIS Maintenance	10,000	10,000	3,904	6,096
Office equipment	2,000	900	878	22
Vehicles	1,000	1,000	700	300
Fuel	5,000	2,800	2,763	37
Language Line	250	250	93	157
Supplies and Materials				
Office supplies	\$ 2,000	\$ 2,000	\$ 1,942	\$ 58
Furniture & Fixtures	1,500	-	-	-
Postage	300	300	129	171
Uniforms and shirts	500	500	478	22
Utilities:				
General telephone	3,250	3,250	1,928	1,322
Cell phones and pagers	1,100	1,100	1,094	6
Internet	1,100	1,100	772	328

Continued

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>OPERATING EXPENSES - BUDGETARY BASIS (Cont.)</b>				
Other Charges				
Bank charges	50	50	45	5
Board meeting expense	500	500	197	303
Dues and memberships	1,000	1,000	400	600
Insurance:				
Workman's compensation	650	650	454	196
Liability	8,000	16,047	16,047	-
Legal notices	100	204	204	-
Premiums on surety bonds	1,400	1,575	1,575	-
Public education	1,500	1,500	1,051	449
Training expenses	2,500	14,690	14,690	-
Travel expenses	8,000	8,000	7,694	306
Miscellaneous expenses	1,000	1,000	856	144
Depreciation	13,000	13,000	-	13,000
Amortization	10,000	10,000	-	10,000
Capital expenditures	80,000	-	-	-
<u>Total Operating Expenses - Budgetary Basis</u>	<u>341,967</u>	<u>254,813</u>	<u>218,592</u>	<u>36,222</u>
<u>Operating Income - Budgetary Basis</u>	<u>\$ 117,033</u>	<u>\$ 204,187</u>	<u>\$ 222,380</u>	<u>\$ 18,193</u>
<b>NON-OPERATING REVENUES - BUDGETARY BASIS</b>				
Interest income	\$ 1,250	\$ 3,800	\$ 3,800	-
Investment income	\$ 2,675	\$ 170	\$ 168	(2)
Miscellaneous income	50		-	-
Grant reimbursements	10,000	24,000	28,575	4,575
Gain on disposal of property	-	-	-	-
	<u>\$ 13,975</u>	<u>\$ 27,970</u>	<u>\$ 32,543</u>	<u>\$ 4,573</u>
<u>Net Income - Budgetary Basis</u>	<u>\$ 131,008</u>	<u>\$ 232,157</u>	<u>\$ 254,923</u>	<u>\$ 22,766</u>
<b>RECONCILIATION TO GAAP</b>				
Adjustments For:				
Income to accrual basis			40,808	
Expenses to accrual basis			7,708	
Depreciation expense			(49,189)	
Amortization Expense			(890)	
<u>Change in Net Assets</u>			<u>\$ 253,360</u>	

See the independent auditors' report.

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS BOARD**  
**SCHEDULE OF INFORMATION REQUIRED BY**  
**TENNESSEE EMERGENCY COMMUNICATIONS BOARD-UNAUDITED**  
June 30, 2009

A. The District has one public safety answering point (PSAP).

B. The address of the PSAP is:

Fayette Co. E-911  
705 Justice Drive  
Somerville, TN 38068

C. The PSAP uses a Positron system and an off-premises BellSouth database

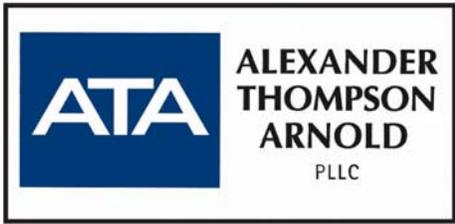
D. The Director of the District is:

Carolann Mason  
705 Justice Drive  
Somerville, TN 38068  
Telephone: (901) 466-3960  
Fax: (901) 465-5102

E. The Chairman of the District is:

Connie Doyle  
705 Justice Drive  
Somerville, TN 38068  
Telephone: ( 901) 466-3960  
Fax: (901) 465-5102

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

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Fax: (731) 424-5701

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AICPA Employee Benefit Plan Audit Quality Center  
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Kentucky 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*

Board of Directors  
Fayette County Emergency Communications District  
Somerville, Tennessee

We have audited the financial statements of Fayette County Emergency Communications District (a component unit of Fayette County, Tennessee) (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered 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 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 District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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

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

Board of Directors  
Fayette County Emergency Communications District  
Somerville, Tennessee

**Compliance and Other Matters**

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

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

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

Certified Public Accountants

Jackson, Tennessee  
October 28, 2009

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SUMMARY OF FINDINGS AND RECOMMENATIONS

JUNE 30, 2009

**PRIOR YEAR FINDINGS**

Prior year findings have been corrected.

**CURRENT YEAR FINDINGS**

There are no current year findings.