

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

FINANCIAL STATEMENTS

June 30, 2009

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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, 2009

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
Ms. Lois Stockton	Chairman	Executive, Personnel, Finance, Building, Technical
Mr. Samuel King	Vice Chairman	Personnel, Finance
Ms. Sandra Richards	Secretary/Treasurer	Finance
Mr. Henry Brenner		Public Education, Building
Mr. Clifton Dates		Nominating
Dr. Barbara Duncan-Cody		Nominating
Mr. William Hughes		Nominating
Mr. Mike Molder		Personnel, Building
Dr. Bianca Sweeten		Public Education



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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, 2009, 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, 2009, 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 2, 2009, 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 Liberal, PLLC

Memphis, Tennessee
December 2, 2009

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

STATEMENT OF NET ASSETS

June 30, 2009

<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 3,125,682
Investments	22,131,966
Accounts receivable - telecommunication companies	1,475,467
Accrued interest income	159,056
Prepays	281,806
Total current assets	<u>27,173,977</u>
Capital Assets	
Capital assets, being depreciated, net	<u>1,512,275</u>
	<u><u>\$ 28,686,252</u></u>
 <u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payable - trade	\$ 154,454
Compensated absences	35,288
Total current liabilities	<u>189,742</u>
Net Assets	
Invested in capital assets	1,512,275
Unrestricted	26,984,235
Total net assets	<u>28,496,510</u>
	<u><u>\$ 28,686,252</u></u>

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, 2009

Operating Revenues	
Emergency telephone service charge	\$ 5,404,364
State Emergency Communications Board - shared wireless charge	2,343,525
State Emergency Communications Board - operational funding	<u>918,618</u>
Total operating revenues	8,666,507
Operating Expenses	
Salaries and wages	240,985
Employee benefits	83,377
Contracted services	2,459,752
Supplies and materials	59,679
Other charges	523,756
Depreciation	<u>562,254</u>
Total operating expenses	<u>3,929,803</u>
Operating income	4,736,704
Non-Operating Revenue (Expense)	
Investment income - net of investment fees of \$49,406	713,562
Net increase in the fair value of investments	<u>126,246</u>
Total non-operating revenue (expense)	<u>839,808</u>
Change in net assets	5,576,512
Net assets - beginning	<u>22,919,998</u>
Net assets - ending	<u><u>\$ 28,496,510</u></u>

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, 2009

Cash Flows Provided By (Used For) Operating Activities	
Cash received from customers	\$ 8,045,330
Cash payments to suppliers	(2,994,698)
Cash payments to employees	<u>(314,560)</u>
Net cash provided by operating activities	4,736,072
Cash Flows Used For Capital and Related Financing Activities	
Purchases of capital assets	(933,470)
Cash Flows From (Used For) Investing Activities	
Purchase of investments	(35,255,439)
Proceeds from maturities of investments	31,243,104
Investment income received	<u>731,611</u>
Net cash used for investing activities	<u>(3,280,724)</u>
Increase in cash and cash equivalents	521,878
Cash and cash equivalents at beginning of the year	<u>2,603,804</u>
Cash and cash equivalents at end of the year	<u><u>\$ 3,125,682</u></u>

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, 2009

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Cash Flows Provided By (Used For) Operating Activities

Operating income	\$ 4,736,704
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	562,254
Changes in Assets and Liabilities	
Accounts receivable - telecommunication companies	(621,177)
Accounts payable - trade	56,591
Compensated absences	9,802
Accrued expenses	(900)
Prepays	(7,202)
Total adjustments	<u>(632)</u>
Net cash provided by operating activities	<u>\$ 4,736,072</u>

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)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

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 3 to 39.5 years. Depreciation expense for the year ended June 30, 2009 was \$562,254.

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.”

Fair Value Measurements

The District adopted the provisions of the Financial Accounting Standards Board's Statement No. 157, *Fair Value Measurement* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into the following three broad levels:

- Level 1 – Quoted prices in active markets for identical assets or liabilities the Organization has the ability to access.
- Level 2 – Inputs (other than quoted prices within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs which are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

For assets and liabilities that are measured at fair value on a recurring basis, this statement requires disclosure of information that enables financial statement users to assess the inputs used to develop those measurements. The only assets the District measures at fair value on a recurring basis are investments. At June 30, 2009, all investments fell within Level 1 of the hierarchy for valuation purposes.

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 37% of the District's service fees are derived from AT&T and approximately 38% are derived from the State of Tennessee from wireless fees and operational funding. The remaining 25% are derived from various other landline

carriers. At June 30, 2009, the receivables balance was 19% from AT&T, 68% from the State of Tennessee and 13% 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 \$3,125,682 and the bank balances totaled \$3,130,642.

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 and Maturities (in years)		
		Less than 1	1-5	Concentration
Federal Home Loan Bank	\$ 7,848,066	\$ 659,391	\$ 7,188,675	35%
Federal Home Loan Mortgage Corporation	8,990,380	600,937	8,389,443	41%
Federal National Mortgage Association	4,641,755	-	4,641,755	21%
Federal Farm Credit Bank	651,765	-	651,765	3%
	<u>\$ 22,131,966</u>	<u>\$ 1,260,328</u>	<u>\$ 20,871,638</u>	<u>100%</u>

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

<u>Investment Type</u>	<u>Rating</u>	<u>Percentage</u>
Federal Home Loan Bank	AAA	35%
Federal Home Loan Mortgage Corporation	AAA	41%
Federal National Mortgage Association	AAA	21%
Federal Farm Credit Bank	AAA	3%

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 pays for the municipalities' usage 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 has utilized. Included in contracted services are total impact payments of \$378,562 and language line payments of \$73,514 for the year ended June 30, 2009.

NOTE 6 - COMMITMENTS

The District leases office space under a 3-year lease, expiring February 1, 2012. The lease is renewable for additional one-year terms. Rent expense under the lease agreement totaled \$45,756. Future minimum lease requirements for the years ending June 30 are as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
NNN Lenox	\$ 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://www.tn.gov/treasury/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, 2009 was 15.96% 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, 2009, Emergency Communications District of Shelby County, Tennessee's annual pension cost of \$36,202 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, 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 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, 2007 was 11 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 36,202	100.00%	\$0
June 30, 2008	\$ 33,363	100.00%	\$0
June 30, 2007	\$ 30,704	100.00%	\$0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 86.80% 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 million, and the ratio of the UAAL to the covered payroll was 37.63% percent.

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)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(b) - (a)</u>	<u>(a/b)</u>	<u>(c)</u>	
July 1, 2007	\$480	\$553	\$73	86.80%	\$194	37.63%

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, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Equipment	\$ 5,983,325	\$ 778,067	\$ -	\$ 6,761,392
Vehicles	30,873	-	-	30,873
Furniture and fixtures	4,435	93,967	-	98,402
Leasehold improvements	-	61,436	-	61,436
Total capital assets being depreciated	6,018,633	933,470	-	6,952,103
Less Accumulated Depreciation For:				
Equipment	4,864,907	553,536	-	5,418,443
Vehicles	8,233	6,175	-	14,408
Furniture and fixtures	4,435	2,024	-	6,459
Leasehold improvements	-	518	-	518
Total accumulated depreciation	4,877,575	562,253	-	5,439,828
Total capital assets being depreciated, net	\$ 1,141,058	\$ 371,217	\$ -	\$ 1,512,275

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 services." 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 \$918,618 for the year ended June 30, 2009.

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

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
Operating Revenues	\$ 8,330,954	\$ 8,330,954	\$ 8,666,507	\$ 335,553
Operating Expenses				
Salaries and wages	226,831	226,831	240,985	(14,154)
Employee benefits	96,452	96,452	83,377	13,075
Contracted services	2,943,474	3,237,068	2,459,752	777,316
Supplies and materials	74,076	100,961	59,679	41,282
Other charges	709,238	689,238	523,756	165,482
Depreciation	1,300,000	1,300,000	562,254	737,746
Total operating expenses	<u>5,350,071</u>	<u>5,650,550</u>	<u>3,929,803</u>	<u>1,720,747</u>
Operating income	2,980,883	2,680,404	4,736,704	2,056,300
Non-Operating Revenue (Expense)				
Investment income - net of investment fees of \$49,406	-	-	713,562	713,562
Net increase in the fair value of investments	-	-	126,246	126,246
Total non-operating revenue	<u>-</u>	<u>-</u>	<u>839,808</u>	<u>839,808</u>
Change in net assets	<u>\$ 2,980,883</u>	<u>\$ 2,680,404</u>	<u>\$ 5,576,512</u>	<u>\$ 2,896,108</u>

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, 2009

4000	<u>Salaries and Wages</u>	
4001	Director	\$ 75,748
4002	Administrative personnel	165,237
		<hr/> 240,985
4100	<u>Employee Benefits</u>	
4101	Social security	16,578
4103	Life insurance	8,330
4104, 4105	Medical/dental insurance	19,234
4107	Unemployment compensation	112
4108	Retirement contributions	36,202
4099	Car Allowance	2,921
		<hr/> 83,377
4200	<u>Contracted Services</u>	
4201	Addressing/mapping expenses	36,290
4203	Audit Services	11,109
4204	Accounting services	14,805
4205	Administrative Fees - Service Charge	50,930
4208	Contracts with private agencies	42,406
4211	Facility Relocation Expense	15,510
4215	Impact payments	378,562
4217	Legal services	75,452
4218	Maintenance agreements	587,718
4227	Lease/rental - communications equipment	1,053,540
4228	Lease/rental - buildings and facilities	45,756
4230	Lease/rental - office equipment	4,396
4232	Maintenance and repairs - communications	65,523
4235	Maintenance and repairs - vehicles	4,241
4237	Language line	73,514
		<hr/> 2,459,752

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, 2009

4300	<u>Supplies and Materials</u>	
4229	Furniture and fixtures	3,917
4233	Building and facilities	15,567
4234	Office equipment	2,094
4236	Fuel	2,891
4301	Office supplies	3,322
4302	Custodial supplies	213
4303	Data processing supplies	1,977
4304	Postage	1,681
4305	Small equipment purchases	6,178
4310	Utilities - general telephone	7,193
4311	Utilities - cell phones and pagers	13,581
4312	Printing	1,065
		<hr/>
		59,679
4400	<u>Other Charges</u>	
4005	Data processing personnel	1,369
4205	Administrative fees	132
4214	Financial advisory services	42,851
4401	Bank charges	10,450
4402	Board meeting expenses	3,372
4405	Dues and memberships	4,065
4407	Insurance - workers compensation	1,388
4409	Insurance - buildings and contents	15,733
4411	Insurance - vehicles	1,512
4412	Legal notices	1,345
4414	Premiums on surety bonds	12,755
4415	Public education	318,214
4417	Service awards	451
4418	Training expenses	33,536
4419	Travel expenses	47,771
4499	Miscellaneous charges	28,812
		<hr/>
		523,756
4500	<u>Depreciation</u>	<hr/>
		562,254
	Total operating expenses	<hr/> <hr/>
		\$ 3,929,803

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, 2009

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. Gemantown 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	5557 Orinskany Street (Building 750) Room 148 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	-	-

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, 2009

<u>PSAPs</u>	<u>Address</u>	<u>Phone No.</u>	<u>Fax No.</u>
13 SCSO Backup	11670 Memphis Arlington Arlington, TN 38002	-	-
14 Shelby County 911 District Offices	3150 Lenox Park Blvd, Ste. 108 Memphis, TN 38115	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

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Chairman

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See independent auditor's report.



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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, 2009, and have issued our report thereon dated December 2, 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 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 2009-01 and 2009-02 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. Of the significant deficiencies described above, we consider both to be material weaknesses.

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*.

We noted another matter that we reported to management of the Emergency Communications District of Shelby County, Tennessee, in a separate letter dated December 2, 2009.

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

This report is intended solely for the information and use of 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 Universal, PLLC

Memphis, Tennessee
December 2, 2009

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

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2009

Finding 2009-01

Material Weakness: During our audit, we noted that the District had reconciled the investments through the services of an outside bookkeeper; however, the cash portion of the investments was recorded twice and therefore did not reconcile to detail records. A material adjustment was made to the financial statements to correct the cash balances.

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. This appears to be an isolated incident in recording the cash.

Finding 2009-02

Material Weakness: During our audit, we noted that the District had not recorded the receivable and related revenue due to them from the State of TN for wireless fees. This omission resulted in a journal entry of \$1,007,780 to record the receivable and related revenue. In addition, a receivable from a landline customer was overstated resulting in a journal entry of \$254,879 to reduce the receivable and related revenue.

Recommendation: We recommend that revenue be recorded on the full accrual basis of accounting whereby revenue is recorded in the period earned rather than when received.

Response: The District contracts with an outside bookkeeper and will request their assistance in recording the revenue and related receivables.