

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

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INTRODUCTORY SECTION

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

JUNE 30, 2010

<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 Bryan	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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Members of

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Kentucky Society of Certified Public Accountants

Independent Auditor's 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, 2010, 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, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2010, 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 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension data on pages 4 through 8 and 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section and the other supplementary information section are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and the schedule of information required by the Tennessee Emergency Communications Board have not been subjected to the auditing process applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on in.

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
September 23, 2010

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, 2010. 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 1.35 million and exceeded liabilities in the amount of \$1.33 million (i.e. net assets).
- Net assets increased \$ 229 thousand during the current year due to the purchase of the CAD (Computer Aided Dispatch) system.
- During fiscal year 2010, the District's Public Service Answering Points answered a total of 12,397 calls. The estimated 911 call volume total for 2009 was 12,107.
- Operating revenues were \$491 thousand, an increase from year 2009 in the amount of \$15 thousand or 3.20%.
- Operating expenses were \$284 thousand, an increase from year 2009 in the amount of \$23 thousand or 8.72%.
- The operating income for the year was \$207 thousand as compared to a \$214 thousand during the 2009 fiscal year.
- The ratio of operating income to total operating revenue was 1:2 for both 2010 and 2009.

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 \$217 thousand for the fiscal year ended June 30, 2010. 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, 2010	June 30, 2009	Increase (Decrease)	
			\$	%
Current and other assets	\$ 875,478	\$ 827,402	\$ 48,076	5.81%
Capital assets	474,468	290,489	183,979	63.33%
Other assets	-	742	(742)	-100.00%
Total assets	<u>1,349,946</u>	<u>1,118,633</u>	<u>231,313</u>	20.68%
Total liabilities	<u>16,851</u>	<u>2,139</u>	<u>14,712</u>	687.80%
Investment in capital assets	474,468	290,489	183,979	63.33%
Unrestricted net assets	<u>858,627</u>	<u>826,005</u>	<u>32,622</u>	3.95%
Total net assets	<u>\$ 1,333,095</u>	<u>\$ 1,116,494</u>	<u>\$ 216,601</u>	19.40%

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, 2010	June 30, 2009	Increase (Decrease)	
			\$	%
Operating revenues	\$ 490,707	\$ 475,485	\$ 15,222	3.20%
Non-operating revenues	<u>21,877</u>	<u>38,838</u>	<u>(16,961)</u>	-43.67%
Total revenues	<u>512,584</u>	<u>514,323</u>	<u>(1,739)</u>	-0.34%
Salaries and wages	56,288	56,387	(99)	-0.18%
Employee benefits	14,578	13,565	1,013	7.47%
Contracted services	108,944	100,103	8,841	8.83%
Supplies and materials	7,151	6,343	808	12.74%
Other charges	34,997	34,486	511	1.48%
Depreciation & Amortization	<u>61,763</u>	<u>50,079</u>	<u>11,684</u>	23.33%
Total expenses	<u>283,721</u>	<u>260,963</u>	<u>22,758</u>	8.72%
Change in net assets	228,863	253,360	(24,497)	-9.67%
Beginning net assets	<u>1,116,494</u>	<u>863,134</u>	<u>253,360</u>	29.35%
Prior period adjustment	<u>(12,262)</u>	-	<u>(12,262)</u>	
Beginning net assets-restated	<u>1,104,232</u>	<u>863,134</u>	<u>241,098</u>	27.93%
Ending net assets	<u>\$ 1,333,095</u>	<u>\$ 1,116,494</u>	<u>216,601</u>	19.40%

Operating revenues showed a 3.20% increase from 2009 to 2010. Expenses increased from 2009 to 2010 by a total of 8.72%.

CAPITAL ASSETS

At the end of fiscal year 2010, the system had \$475 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 2010 include a CAD system and updated GIS computers and servers. Thus, the increase (net of increases and decreases) of \$184 thousand or 63.33% from last year is due to the purchase of new equipment.

The following tables summarize the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2010. 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)	
	2010	2009	\$	%
Furniture and fixtures	\$ 2,864	\$ 4,235	\$ (1,371)	-32.37%
Office equipment	32,487	8,135	24,352	299.35%
Communication equipment	432,518	267,352	165,166	61.78%
Vehicles	6,599	10,767	(4,168)	-38.71%
Total capital assets, net of accumulated depreciation	<u>\$ 474,468</u>	<u>\$ 290,489</u>	<u>\$ 183,979</u>	63.33%

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

With the financial help that continues to come from the state 9-1-1 board and the careful planning of the District's 9-1-1 board, we have been able to upgrade equipment and install new equipment to be ready for the next phase of 9-1-1 technology. The NG9-1-1 (next generation) project will connect all 9-1-1 call centers across the state of TN. This year the project implementation is in full swing. The state is building the platform for this project and within the next two years the district will be able to connect to this broadband system. This is why the equipment upgrades have been so important to our district. This will also take the cost of the phone line selective routers off of the district, as the routers will not be needed anymore and the state will absorb the cost. The State Board has also added additional funding to the operational monies given to the districts to offset additional upgrade cost for this project.

The District purchased the CAD (computer aided dispatch) system this year to aid the dispatch center in handling calls more efficiently, as well as, helping to provide call numbers and statistics. Also, for the year 2010-2011 the District's board approved a new interlocal agreement with the Sheriff's Dept. in order to allow the Sheriff to hire three new dispatchers. This agreement will provide \$122,600.00 additional funding for dispatchers salaries, in addition to the \$24,000.00 impact payment already being paid to the Dept. This will place three dispatchers on each shift to help handle the large volume of calls now coming in to the dispatch center.

With these additions and upgrades the district has continued to be debt free and to hold reserve funds in investment accounts. As well as, working within the annual budget set by the board.

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, 2010

ASSETS AND LIABILITIES

CURRENT ASSETS

Cash and cash equivalents	\$	784,638
Accounts receivable		22,247
Accrued interest receivable		2,883
Prepaid expenses		65,710
<u>Total Current Assets</u>		875,478

NONCURRENT ASSETS

CAPITAL ASSETS

Furniture and fixtures		8,627
Office equipment		52,104
Communication equipment		568,706
Vehicles		22,415
Total Capital Assets		651,852
Less accumulated depreciation		(177,384)
<u>Net Capital Assets</u>		474,468

OTHER ASSETS

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

<u>Total Noncurrent Assets</u>		474,468
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<u>Total Assets</u>		1,349,946
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CURRENT LIABILITIES

Accounts payable		13,923
Compensated absences payable		1,371
Payroll taxes payable		1,558
<u>Total Current Liabilities</u>		16,852

<u>Total Assets less Liabilities</u>		\$ 1,333,094
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NET ASSETS

Investment in capital assets	\$	474,468
Unrestricted net assets		858,626
<u>Total Net Assets</u>		\$ 1,333,094

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, 2010

OPERATING REVENUES	
Emergency telephone service charge	\$ 270,280
Tennessee Emergency Communications Board - shared wireless charge	72,810
Tennessee Emergency Communications Board - operational funding	<u>147,617</u>
<u>Total Operating Revenues</u>	<u>490,707</u>
OPERATING EXPENSES	
Salaries and wages	56,288
Employee benefits	14,578
Contracted services	108,944
Supplies and materials	7,151
Other charges	34,998
Depreciation	61,021
Amortization	<u>742</u>
<u>Total Operating Expenses</u>	<u>283,722</u>
OPERATING INCOME	<u>206,985</u>
NON-OPERATING REVENUES AND EXPENSES	
Interest income	2,235
Investment income	14,817
State emergency communications board-grants and reimbursements	10,000
Interest expense	<u>(5,175)</u>
<u>Net Non-operating Revenues</u>	<u>21,877</u>
<u>Change in Net Assets</u>	228,862
NET ASSETS, JULY 1, 2009	1,116,494
Prior Period Adjustment	<u>(12,262)</u>
NET ASSETS, JULY 1, 2009-RESTATED	<u>1,104,232</u>
NET ASSETS, JUNE 30, 2010	<u>\$ 1,333,094</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, 2010

INCREASE IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

Cash received from AT&T and others	525,171
Cash paid to suppliers of goods and services	(194,113)
Cash paid for employees' services	<u>(70,076)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>260,982</u>

Cash Flows from Capital and Related Financing Activities:

Borrowings during year	248,078
Repayment of debt	(248,078)
State grant for GIS mapping	10,000
Acquisition of fixed assets	<u>(245,001)</u>
<u>Net Cash Used by Capital and Related Financing Activities</u>	<u>(235,001)</u>

Cash Flows from Investing Activities:

Interest received	<u>14,584</u>
<u>Net Cash Provided by Investing Activities</u>	<u>14,584</u>

<u>Net Increase in Cash</u>	40,565
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CASH AND CASH EQUIVALENTS, JULY 1, 2009	<u>744,072</u>
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CASH AND CASH EQUIVALENTS, JUNE 30, 2010	<u><u>784,637</u></u>
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**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	206,985
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	61,763
State reimbursement for dispatch training	
Changes in assets and liabilities:	
Accounts receivable	34,225
Prepaid expenses	(56,703)
Accounts payable	<u>14,712</u>
<u>Net Cash Provided by Operating Activities</u>	<u><u>\$ 260,982</u></u>

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

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

JUNE 30, 2010

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, 2010

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 \$1,371.

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.

F. Net Assets:

Net Assets are classified for reporting purposes as unrestricted and invested in capital assets. There are currently no restrictions on net assets.

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,

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 2010

NOTE 3 - CASH AND INVESTMENTS (Cont.)

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, 2010, all deposits were fully collateralized or insured.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

Description	Balance 7/1/09	Additions	Retirements	Balance 6/30/10
Capital assets, being depreciated				
Furniture and fixtures	\$ 8,628	\$ -	\$ -	\$ 8,628
Office equipment	30,667	26,469	5,033	52,103
Communication equipment	350,175	218,531	-	568,706
Vehicles	22,415	-	-	22,415
Leasehold improvements	-	-	-	-
Total capital assets being depreciated	<u>411,885</u>	<u>245,000</u>	<u>5,033</u>	<u>651,852</u>
Less accumulated depreciation				
Furniture and fixtures	4,393	1,371	-	5,764
Office equipment	22,532	2,117	5,033	19,616
Communication equipment	82,823	53,365	-	136,188
Vehicles	11,648	4,168	-	15,816
Leasehold improvements	-	-	-	-
Total accumulated depreciation	<u>121,396</u>	<u>61,021</u>	<u>5,033</u>	<u>177,384</u>
 Total capital assets, net	 <u>\$ 290,489</u>	 <u>\$ 183,979</u>	 <u>\$ -</u>	 <u>\$ 474,468</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 \$4,964 for a 60 month period.

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

JUNE 30, 2010

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.

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, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at http://www.tn.gov/treasury/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, 2010, the District's annual pension cost of \$3,851 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.

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 2010

NOTE 7 - RETIREMENT PLAN (Cont.)

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, 2009, which established contribution rates effective July 1, 2010.

Fiscal Year Ending	Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 3,851	100%	\$ -
June 30, 2009	\$ 3,209	100%	\$ -
June 30, 2008	\$ 3,547	100%	\$ -

Funding Status and Funding Progress:

As of July 1, 2009, the most recent actuarial valuation date, the plan was 51.95 percent funded. The actuarial accrued liability for benefits was \$0.05 million, and the actuarial value of assets was \$0.02 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 \$0.04 million, and the ration of the UAAL to the covered payroll was 58.81 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.

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1) / (2)	Covered Payroll	UAAL as a Percentage of Covered Payroll (3) / (5)
7/1/2009	\$26,000	\$51,000	\$24,000	51.95%	\$42,000	58.81%
7/1/2007	\$18,000	\$39,000	\$21,000	46.15%	\$55,000	38.18%

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 2010

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the District to purchase commercial insurance for the risks of general liability, vehicle liability employee dishonesty, worker’s compensation and physical damage to its fixed assets. Settled claims have not exceeded this commercial coverage or in any coverage of the past three years.

NOTE 9 –DEBT

In October 2009, the District obtained a loan in the amount of \$278,078 to purchase new CAD equipment. The terms of the loan were 36 months at 3.45%. The balance of the note was paid off as of June 30, 2010. Total interest expense was \$5.175.

Debt activity for the year was as follows:

7/1/2009			6/30/2010
<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<u>-</u>	<u>278,078</u>	<u>278,078</u>	<u>-</u>

NOTE 10 – BUDGET OVERAGES

The office supplies line item exceeded the budgeted amount by \$279.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$12,262 was recorded for an error in estimating amounts due from the State of Tennessee at June 30, 2009.

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2010

Schedule of Funding Progress						(6)
	(1)	(2)	(3)	(4)	(5)	UAAL as a
Actuarial	Actuarial	Actuarial	Unfunded	Funded	Covered	Percentage
Valuation	Value of	Accrued	AAL	Ratio	Payroll	of Covered
<u>Date</u>	<u>Assets</u>	<u>(AAL)</u>	<u>(2) - (1)</u>	<u>(1) / (2)</u>	<u>Payroll</u>	<u>(3) / (5)</u>
7/1/2009	\$26,000	\$51,000	\$24,000	51.95%	\$42,000	58.81%
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 auditor's report.

OTHER SUPPLEMENTARY INFORMATION SECTION

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Amended Budget	Actual	Variance (Over) Under
OPERATING REVENUES - BUDGETARY BASIS				
Emergency telephone service charge	\$ 281,500	\$ 281,500	\$ 271,738	(9,762)
State Emergency Communications Board	60,000	60,000	87,980	27,980
State ECB - operational funding	104,000	104,000	164,964	60,964
	<u>445,500</u>	<u>445,500</u>	<u>524,682</u>	<u>79,182</u>
OPERATING EXPENSES - BUDGETARY BASIS				
Salaries and Wages				
Director	42,902	42,902	42,902	-
Administrative personnel	15,613	15,613	13,733	1,880
Bonus	500	500	500	-
Employee Benefits				
Social security/medicare	4,570	4,570	4,371	199
Medical insurance	6,500	6,500	6,304	196
Unemployment premiums	365	365	53	312
Retirement contributions	4,000	4,000	3,851	149
Contracted Services				
Mapping	15,000	15,000	-	15,000
Advertising	300	300	-	300
Accounting services	500	500	-	500
Audit services	4,200	4,200	3,985	215
Impact fee	24,000	24,000	24,000	-
Legal services	1,200	1,200	281	919
Maintenance and Repairs:				
Communications equipment	87,168	87,168	59,568	27,600
Viper CAD	61,500	61,500	13,824	47,676
GIS Maintenance	10,000	10,000	3,904	6,096
Office equipment	2,200	2,200	-	2,200
Vehicles	2,000	2,000	766	1,234
Fuel	4,000	4,000	2,503	1,497
Language Line	300	300	(24)	324
Supplies and Materials				
Office supplies	2,000	2,000	2,279	(279)
Furniture & Fixtures	1,500	1,500	681	819
Postage	200	200	147	53
Uniforms and shirts	500	500	394	106
Utilities:				
General telephone	3,000	3,000	1,384	1,616
Cell phones and pagers	1,200	1,200	1,045	155
Internet	1,200	1,200	1,045	155

Continued

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance (Over) Under</u>
OPERATING EXPENSES - BUDGETARY BASIS (Cont.)				
Other Charges				
Bank charges	50	50	-	50
Board meeting expense	500	500	150	350
Dues and memberships	1,000	1,000	400	600
Insurance:				
Workman's compensation	550	550	356	194
Liability	10,000	10,000	9,403	597
Legal notices	500	500	221	279
Premiums on surety bonds	4,500	4,500	2,564	1,936
Public education	2,000	2,000	1,580	420
Training expenses	5,000	5,000	1,277	3,723
Training expenses-dispatchers	19,000	19,000	-	19,000
Travel expenses	10,000	10,000	6,016	3,984
Miscellaneous expenses	1,000	1,000	829	171
Depreciation	13,000	13,000	-	13,000
Amortization	10,000	10,000	-	10,000
Capital expenditures	35,000	35,000	-	35,000
<u>Total Operating Expenses - Budgetary Basis</u>	<u>408,518</u>	<u>408,518</u>	<u>210,292</u>	<u>198,226</u>
<u>Operating Income - Budgetary Basis</u>	<u>36,982</u>	<u>36,982</u>	<u>314,390</u>	<u>277,408</u>
NON-OPERATING REVENUES - BUDGETARY BASIS				
Interest income	2,000	2,000	2,738	738
Investment income	2,500	2,500	8,840	6,340
Miscellaneous income	30	30	-	(30)
Grant reimbursements	29,000	29,000	10,000	(19,000)
	<u>33,530</u>	<u>33,530</u>	<u>21,578</u>	<u>(11,952)</u>
<u>Net Income - Budgetary Basis</u>	<u>\$ 70,512</u>	<u>\$ 70,512</u>	<u>\$ 335,968</u>	<u>\$ 265,456</u>
RECONCILIATION TO GAAP				
Adjustments For:				
Income to accrual basis			(28,502)	
Expenses to accrual basis			(11,664)	
Reclassification of expenses			(5,177)	
Depreciation expense			(61,021)	
Amortization Expense			(742)	
<u>Change in Net Assets</u>			<u>\$ 228,862</u>	

See the independent auditors' report.

FAYETTE COUNTY EMERGENCY COMMUNICATIONS BOARD
SCHEDULE OF INFORMATION REQUIRED BY
TENNESSEE EMERGENCY COMMUNICATIONS BOARD-UNAUDITED
June 30, 2010

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

www.atacpa.net

227 Oil Well Road
Jackson, TN 38305

Telephone:(731) 427-8571
Fax: (731) 424-5701

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AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
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, 2010, and have issued our report thereon dated September 23, 2010. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Dyersburg, TN
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*.

We noted certain matters that we reported to management of the District in a separate letter dated September 23, 2010.

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
September 23, 2010

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SUMMARY OF FINDINGS AND RECOMMENATIONS

JUNE 30, 2010

PRIOR YEAR FINDINGS

There were no prior year findings.

CURRENT YEAR FINDINGS

There are no current year findings.