

**TIPTON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**



**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2010**

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

|                                 | <b>Page</b> |
|---------------------------------|-------------|
| <b>DISTRICT OFFICIALS</b> ..... | 1           |

**FINANCIAL SECTION**

|   |       |
|---|-------|
| <b>INDEPENDENT AUDITOR'S REPORT</b> .....                                   | 2-3   |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....                           | 4-6   |
| <b>STATEMENT OF NET ASSETS</b> .....  | 7     |
| <b>STATEMENT OF REVENUES, EXPENSES, AND<br/>CHANGES IN NET ASSETS</b> ..... | 8-9   |
| <b>STATEMENT OF CASH FLOWS</b> .....  | 10-11 |
| <b>NOTES TO FINANCIAL STATEMENTS</b> .....                                  | 12-18 |

**REQUIRED SUPPLEMENTARY INFORMATION**

|  |    |
|--|----|
| Retirement Plan - Schedule of Funding Progress ..... | 19 |
|--|----|

**SCHEDULES**

|  |       |
|--|-------|
| Schedule 1 - Budgetary Comparison .....  | 20-22 |
| Schedule 2 - Information Required by the<br>Tennessee Emergency Communications Board ..... | 23    |

**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** .....

24-25

|                                   |       |
|-----------------------------------|-------|
| <b>SCHEDULE OF FINDINGS</b> ..... | 26-27 |
|-----------------------------------|-------|

|  |    |
|--|----|
| <b>STATUS OF PRIOR YEARS' FINDINGS</b> ..... | 28 |
|--|----|

## **INTRODUCTORY SECTION**

**TIPTON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT  
DISTRICT OFFICIALS  
JUNE 30, 2010**

Director

Ruth Renee Downing

Operations Manager

Dana Howeth

Board of Directors

James Sneed, Chairman  
Jim Harger, Vice Chairman  
Roy Warmath, Treasurer  
Dale Burress  
Bennie Carver  
Ricky Fletcher  
Larry McKee  
Jeff Mason  
Tommy Rogers

**FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Tipton County Emergency Communications District  
Covington, Tennessee

We have audited the accompanying financial statements of the Tipton County Emergency Communications District (a component unit of Tipton County, Tennessee) as of and for the year ended June 30, 2010, which collectively comprise the Tipton County Emergency Communications District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tipton County Emergency Communications 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 Tipton County Emergency Communications District as of June 30, 2010, and the results of 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 November 22, 2010, on our consideration of Tipton County Emergency Communications 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.

The Management's Discussion and Analysis and Retirement Plan - Schedule of Funding Progress as listed in the table of contents 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 Tipton County Emergency Communications District's basic financial statements. The introductory section and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Whitaker Jenkins & Davis, P.C.C.*

November 22, 2010

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010**

Our discussion and analysis of Tipton County Emergency Communications District's financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2010. It should be read with the District's financial statements, which begin on page 7.

**FINANCIAL HIGHLIGHTS**

- The District's net assets increased approximately \$31,000 from the prior year as a result of this year's operations.
- Operating expenses increased to approximately \$1,051,000 in the current year, from \$1,017,000 for the year ending June 30, 2009.
- Current year revenues, including contributions and grants from participating local and state governments, were approximately \$1,082,000, an increase from \$1,076,000 in the immediately preceding year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of the following parts: Management's Discussion and Analysis, Financial Statements, Notes to the Financial Statements, Required Supplementary Information, and Other Supplementary Information.

**USING THIS ANNUAL REPORT AND REQUIRED FINANCIAL STATEMENTS**

This annual report consists of several basic financial statements. The Statement of Net Assets provides a measure of the difference between the District's assets and its liabilities at a given point in time, at our fiscal year-end date of June 30. The Statement of Activities provides information about the sources of income and how the resources were used during the fiscal year. The Statement of Cash Flows gives a detail of how cash was received and used during the fiscal year. The budgetary comparison data compares actual results of operations against budgeted amounts. Our analysis of the financial status of Tipton County Emergency Communications District begins below.

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 Activities report information about the District and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**CONDENSED COMPARATIVE FINANCIAL INFORMATION**

The District's total net assets increased from a year ago, and this analysis presents net assets at June 30 for two years (Table 1) and the changes in net assets (Table 2) for each of the years.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
YEAR ENDED JUNE 30, 2010**

**TABLE 1  
NET ASSETS  
(IN THOUSANDS)**

|                                  | <u>2010</u>     | <u>2009, as restated</u> |
|----------------------------------|-----------------|--------------------------|
| Current Assets .....             | \$ 1,367        | \$ 1,240                 |
| Equipment .....                  | <u>537</u>      | <u>638</u>               |
| Total Assets .....               | <u>1,904</u>    | <u>1,878</u>             |
| <br>Current Liabilities .....    | <br><u>46</u>   | <br><u>51</u>            |
| <br>Net Assets                   |                 |                          |
| Invested in capital assets ..... | 537             | 638                      |
| Unrestricted .....               | <u>1,321</u>    | <u>1,189</u>             |
| Total Net Assets .....           | <u>\$ 1,858</u> | <u>\$ 1,827</u>          |

Total net assets increased by \$31,419 during the current year as a result of revenues from telephone tariffs and grants from participating governments.

A summary of the District's Statement of Revenues, Expenses, and Changes in Net Assets is given below:

**TABLE 2  
REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
(IN THOUSANDS)**

|   | <u>2010</u>      | <u>2009</u>      |
|---|------------------|------------------|
| Revenues and Contributions                              |                  |                  |
| Operating revenues .....                                | \$ 726           | \$ 706           |
| Contributions from local and<br>other governments ..... | 337              | 326              |
| Interest and other .....                                | <u>19</u>        | <u>44</u>        |
| Total Revenues and Contributions .....                  | <u>1,082</u>     | <u>1,076</u>     |
| <br>Operating Expenses                                  |                  |                  |
| Salaries and benefits .....                             | 735              | 733              |
| Contracted services .....                               | 137              | 115              |
| Supplies and materials .....                            | 23               | 26               |
| Depreciation .....                                      | 120              | 123              |
| Other .....   | <u>36</u>        | <u>20</u>        |
| Total Operating Expenses .....                          | <u>1,051</u>     | <u>1,017</u>     |
| <br>Change in Net Assets .....                          | <br><u>\$ 31</u> | <br><u>\$ 59</u> |

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
YEAR ENDED JUNE 30, 2010**

Our total expenses increased steadily, particularly in the areas of salaries and benefits and supplies.

Our expenses were up from \$1,017,000 to \$1,051,000 largely due to increased salaries and benefits of \$31,000.

**BUDGETARY MATTERS**

Several times during the course of the year budgeted income and expenses were changed to reflect changing expectations and desires of the board to allocate resources to achieve our objectives.

**CAPITAL ASSET ADMINISTRATION**

At the end of our fiscal year the District has a total of approximately \$537,000 invested in various capital assets, primarily in communications equipment, stated at original cost less related depreciation expense.

**TABLE 3  
CAPITAL ASSETS AT YEAR END  
(IN THOUSANDS)**

|   | <u>2010</u> | <u>2009, as restated</u> |
|---|-------------|--------------------------|
| Equipment held for future use . . . . .   | \$ 75       | \$ 75                    |
| Communication related equipment . . . . . | 428         | 526                      |
| Furniture and fixtures . . . . .          | 6           | 9                        |
| Vehicle . . . . .                         | -           | 4                        |
| Dispatch room . . . . .                   | 28          | 24                       |
| Total Capital Assets . . . . .            | \$ 537      | \$ 638                   |

This year's main additions were communication related equipment of \$20,000.

**ECONOMIC FACTORS FOR NEXT YEAR'S BUDGET**

In spite of continuing inflation and a steadily increasing population, the District did not raise its rates to several local government partners in the current fiscal year.

The District budgeted a total of \$276,000 in new equipment purchases for the current year ending June 30, 2011. We expect to pay this amount from routine operations and from a \$236,000 state grant. The major equipment addition is for a new p-sap system. No other large increases over the prior year's budget were made.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

**ASSETS****CURRENT ASSETS**

|   |                         |
|---|-------------------------|
| Cash .....  | \$ 188,282              |
| Investments-certificates of deposit .....               | 1,117,558               |
| Accrued interest receivable .....                       | 4,587                   |
| Accounts receivable .....                               | 34,916                  |
| Due from Tennessee Emergency Communications Board ..... | <u>22,019</u>           |
| <b>TOTAL CURRENT ASSETS .....</b>                       | <b><u>1,367,362</u></b> |

**NONCURRENT ASSETS****Capital Assets****Not being depreciated**

|                                     |               |
|-------------------------------------|---------------|
| Equipment held for future use ..... | <u>75,000</u> |
|-------------------------------------|---------------|

**Being depreciated**

|                                       |                  |
|---------------------------------------|------------------|
| Communication related equipment ..... | 1,047,977        |
| Furniture .....                       | 19,095           |
| Vehicle .....                         | 22,750           |
| Leasehold improvements .....          | 64,535           |
| Less accumulated depreciation .....   | <u>(692,291)</u> |
|                                       | 462,066          |

**TOTAL CAPITAL ASSETS, NET OF**

|                                       |                       |
|---------------------------------------|-----------------------|
| <b>ACCUMULATED DEPRECIATION .....</b> | <b><u>537,066</u></b> |
|---------------------------------------|-----------------------|

|                           |                            |
|---------------------------|----------------------------|
| <b>TOTAL ASSETS .....</b> | <b><u>\$ 1,904,428</u></b> |
|---------------------------|----------------------------|

**LIABILITIES AND NET ASSETS****CURRENT LIABILITIES**

|  |                      |
|--|----------------------|
| Accounts payable .....                 | \$ 6,172             |
| Accrued payroll .....                  | 23,475               |
| Accrued expenses .....                 | 4,853                |
| Compensated absences .....             | <u>11,529</u>        |
| <b>TOTAL CURRENT LIABILITIES .....</b> | <b><u>46,029</u></b> |

**NET ASSETS**

|                                  |                         |
|----------------------------------|-------------------------|
| Invested in capital assets ..... | 537,066                 |
| Unrestricted .....               | <u>1,321,333</u>        |
| <b>TOTAL NET ASSETS .....</b>    | <b><u>1,858,399</u></b> |

|   |                            |
|---|----------------------------|
| <b>TOTAL LIABILITIES AND NET ASSETS .....</b> | <b><u>\$ 1,904,428</u></b> |
|---|----------------------------|

See notes to financial statements

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2010**

**OPERATING REVENUES**

|   |                       |
|---|-----------------------|
| Emergency telephone service charges ..... | \$ 412,332            |
| Tennessee Emergency Communications Board  |                       |
| Shared wireless charge .....              | 129,786               |
| Operational funding .....                 | <u>184,448</u>        |
| <b>TOTAL OPERATING REVENUE .....</b>      | <b><u>726,566</u></b> |

**OPERATING EXPENSES**

|  |                         |
|--|-------------------------|
| Salaries and wages                         |                         |
| Director .....                             | 46,882                  |
| Administrative personnel .....             | 38,682                  |
| Dispatchers .....                          | 452,696                 |
| Part time personnel .....                  | <u>5,939</u>            |
|  | <u>544,199</u>          |
| Employee benefits                          |                         |
| Payroll taxes .....                        | 44,993                  |
| Insurance .....                            | 92,422                  |
| Retirement .....                           | <u>53,346</u>           |
|  | <u>190,761</u>          |
| Contracted services                        |                         |
| Advertising .....                          | 40                      |
| Audit and accounting services .....        | 8,775                   |
| Legal services and other consultants ..... | 2,121                   |
| NCIC/TBI/TIES expenses .....               | 8,040                   |
| Maintenance .....                          | 51,304                  |
| Equipment repair and operations .....      | 11,884                  |
| Other contracted services .....            | <u>54,715</u>           |
|  | <u>136,879</u>          |
| Supplies and materials                     |                         |
| Office supplies and postage .....          | 7,222                   |
| Other supplies .....                       | 1,407                   |
| Utilities and telephones .....             | <u>14,808</u>           |
|  | <u>23,437</u>           |
| Other charges                              |                         |
| Insurance .....                            | 10,620                  |
| Training and travel .....                  | 12,407                  |
| Other .....                                | <u>13,103</u>           |
|  | <u>36,130</u>           |
| Depreciation .....                         | <u>119,859</u>          |
| <b>TOTAL OPERATING EXPENSES .....</b>      | <b><u>1,051,265</u></b> |

See notes to financial statements

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS - CONTINUED  
YEAR ENDED JUNE 30, 2010**

|   |                     |
|---|---------------------|
| <b>OPERATING (LOSS)</b> .....                   | <u>\$ (324,699)</u> |
| <b>NONOPERATING REVENUES</b>                    |                     |
| Interest income .....                           | 24,661              |
| Contributions from governments                  |                     |
| Primary government .....                        | 160,000             |
| Other governments .....                         | 177,401             |
| Gain (loss) on disposal of capital assets ..... | (6,127)             |
| Other .....                                     | <u>183</u>          |
| <b>TOTAL NONOPERATING REVENUES</b> .....        | <u>356,118</u>      |
| <b>CHANGE IN NET ASSETS</b> .....               | 31,419              |
| <b>NET ASSETS</b>                               |                     |
| Balance at July 1, 2009, as restated .....      | <u>1,826,980</u>    |
| Balance at June 30, 2010 .....                  | <u>\$ 1,858,399</u> |

See notes to financial statements

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |                  |
|---|------------------|
| Cash received from surcharges and other revenues .....        | \$ 798,470       |
| Cash payments to suppliers for goods and services .....       | (207,364)        |
| Cash payments for payroll, taxes, and employee benefits ..... | <u>(728,801)</u> |
| Net cash (used) by operating activities .....                 | <u>(137,695)</u> |

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

|  |                |
|--|----------------|
| Contributions from primary government .....                | 160,000        |
| Contributions from other governments .....                 | 177,401        |
| Other revenues .....                                       | <u>183</u>     |
| Net cash provided by noncapital financing activities ..... | <u>337,584</u> |

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

|   |                 |
|---|-----------------|
| Purchase of capital assets .....                                  | <u>(25,400)</u> |
| Net cash (used) by capital and related financing activities ..... | <u>(25,400)</u> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|   |                 |
|---|-----------------|
| Purchase of certificates of deposit .....     | (1,117,558)     |
| Maturities of certificates of deposit .....   | 992,261         |
| Interest income .....                         | <u>28,600</u>   |
| Net cash (used) by investing activities ..... | <u>(96,697)</u> |

**NET INCREASE IN CASH** .....

77,792

**CASH**

|                                |                   |
|--------------------------------|-------------------|
| Balance at July 1, 2009 .....  | <u>110,490</u>    |
| Balance at June 30, 2010 ..... | <u>\$ 188,282</u> |

See notes to financial statements

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF CASH FLOWS - CONTINUED  
YEAR ENDED JUNE 30, 2010**

**RECONCILIATION OF OPERATING (LOSS) TO NET CASH  
(USED) BY OPERATING ACTIVITIES**

|   |                            |
|---|----------------------------|
| Operating (loss) .....  | \$ (324,699)               |
| Adjustments to reconcile operating (loss)<br>to net cash provided by operating activities |                            |
| Depreciation .....  | 119,859                    |
| Changes in assets and liabilities   |                            |
| Accounts receivable .....   | 1,184                      |
| Due from Tennessee Emergency Communications Board .....                                   | 70,720                     |
| Accounts payable .....  | (1,245)                    |
| Accrued payroll .....   | 1,318                      |
| Accrued expenses .....  | (9,673)                    |
| Compensated absences .....  | 4,841                      |
|   | <u>187,004</u>             |
| <b>NET CASH (USED) BY OPERATING ACTIVITIES .....</b>                                      | <b><u>\$ (137,695)</u></b> |

See notes to financial statements

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**GENERAL STATEMENT** - Tipton County Emergency Communications District (District) complies with accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The District applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has elected not to apply FASB ASC pronouncements issued after November 30, 1989.

**FINANCIAL REPORTING ENTITY** - The District is a component unit of Tipton County, Tennessee, the primary government unit. The District is considered a component unit of Tipton County because Tipton County appoints a majority of the District's Board of Directors, and there is potential for provision of specific financial benefits to the primary government. The financial statements present only the financial position and changes in financial position of the District and are not intended to present fairly the financial position of Tipton County, Tennessee and the changes in its financial position in conformity with U.S. generally accepted accounting principles.

The District was formed by the Tipton County Legislature under provisions of Tennessee law on June 30, 1988. As such, it is a public corporation authorized to maintain and operate an emergency communications system providing 911 service within the boundaries of Tipton County, Tennessee. Under law it is a body politic, without powers of taxation, governed by an appointed nine-member Board of Directors. It is funded by monthly user fees, or tariff rates, charged on each resident and business telephone within the County and by contributions from participating governments.

**BASIS OF PRESENTATION** - The financial statements of the District are organized into a fund, which is considered to be a separate accounting entity. The fund is accounted for by providing a set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenses. The financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

**PROPRIETARY FUND**

*Enterprise Fund* - An Enterprise Fund is used to account for business-like activities that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Enterprise Fund accounts for the operations of the emergency communications system. Operating revenues are derived principally from service charges.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*** - Measurement focus is a term used to describe “which” transactions are recorded within the financial statements.

The proprietary fund is accounted for using the “economic resources” measurement focus. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (revenues) and decreases (expenses) in total net assets.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. Proprietary funds utilize the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

***DEPOSITS*** - Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. Although the District has not formally adopted a policy regarding collateralization of deposits, the District follows collateralization requirements of State statutes.

***INVESTMENTS*** - State statutes authorize the District to invest in obligations of the U.S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest by the United States or any of its agencies, repurchase agreements, the Tennessee local government investment pool, certificates of deposit at state and federally chartered banks and savings and loan associations, and money market funds approved by the state director of local finance.

In accordance with Statement No. 31 of the Governmental Accounting Standards Board, investments with a remaining maturity of more than one year at the time of purchase are reported at fair value as determined by quoted market prices. Short-term investments are reported at amortized cost, which approximates fair value.

***ACCOUNTS RECEIVABLE*** - Accounts receivable result principally from unpaid user fees or tariff rates. Accounts receivable are reported net of any necessary allowance for uncollectible accounts and revenues are reported net of uncollectibles. Allowances, or any need therefore, are based on past history of uncollectible accounts and management’s analysis of current accounts. There was no allowance for uncollectible accounts at June 30, 2010 nor any uncollectible amounts netted with charges for user fees or tariffs for the year ended June 30, 2010.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**CAPITAL ASSETS** - Capital assets include property and equipment. During the current year, the District adopted a formal capitalization policy, whereby assets with an individual cost of at least \$3,500 and an estimated useful life in excess of one year are capitalized. For years beginning after June 30, 2010, the individual cost amount is increased to \$5,000. The District's assets are capitalized at historical cost or estimated historical cost. Gifts or contributions of capital assets are recorded at fair value when received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

A provision for depreciation is made on a basis considered adequate to amortize costs over the assets' estimated useful lives using the straight-line method. Useful lives are estimated at 8 - 10 years.

**RESTRICTED RESOURCES** - The District elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

**NET ASSETS** - Equity is classified as net assets and displayed in the following three components:

Invested in Capital Assets - Consists of capital assets, net of accumulated depreciation.

Restricted - Consists of net assets for which constraints are placed thereon by outside sources or external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.

Unrestricted - All other net assets that do not meet the description of the above categories.

**CASH FLOWS** - For purposes of reporting cash flows, cash consists of cash on hand and on deposit with banks. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Certificates of deposit with original maturities of three months or more when purchased are classified as investments.

**RETIREMENT PLAN** - Costs of the retirement plan are computed by the frozen initial liability method, a projected benefit cost method, including a cost-of-living provision and amortization of prior service costs over thirty years. Pension costs are funded as accrued.

**COMPENSATED ABSENCES** - Vacation pay for employees is accrued as an expense at the time the employees have a vested right to receive it. Sick leave is not accrued as the employees never have a vested right to receive it.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**YEAR ENDED JUNE 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BUDGETS** - The District prepares a budget for management monitoring and control and to comply with Tennessee law. The budget, which is prepared at the line item level, is approved by the Board of Directors and is on a basis consistent with generally accepted accounting principles. Appropriations lapse at the end of the year.

**NOTE 2 - CAPITAL ASSETS**

Capital asset activity during the year was as follows:

|  | <u>BALANCE<br/>JULY 1, 2009,<br/>as restated</u> | <u>ADDITIONS</u>   | <u>TRANSFERS/<br/>DELETIONS</u> | <u>BALANCE<br/>JUNE 30, 2010</u> |
|--|--|--------------------|---------------------------------|----------------------------------|
| Capital assets not being depreciated                       |  |                    |                                 |                                  |
| Equipment held for future use . . . .                      | \$ 75,000  | \$ -               | \$ -                            | \$ 75,000                        |
| Total capital assets not<br>being depreciated . . . . .    | <u>75,000</u>                                    | <u>-</u>           | <u>-</u>                        | <u>75,000</u>                    |
| Other capital assets                                       |  |                    |                                 |                                  |
| Communication equipment . . . . .                          | 1,170,282  | 20,287             | (142,592)                       | 1,047,977                        |
| Furniture . . . . .  | 38,672   | -                  | (19,577)                        | 19,095                           |
| Vehicle . . . . .  | 22,750   | -                  | -                               | 22,750                           |
| Leasehold improvements . . . . .                           | <u>59,422</u>                                    | <u>5,113</u>       | <u>-</u>                        | <u>64,535</u>                    |
| Total other capital assets at<br>historical cost . . . . . | <u>1,291,126</u>                                 | <u>25,400</u>      | <u>(162,169)</u>                | <u>1,154,357</u>                 |
| Less accumulated depreciation                              |  |                    |                                 |                                  |
| Communication equipment . . . . .                          | (645,667)  | (111,824)          | 137,687                         | (619,804)                        |
| Furniture . . . . .  | (29,626)   | (2,199)            | 18,355                          | (13,470)                         |
| Vehicle . . . . .  | (18,200)   | (4,550)            | -                               | (22,750)                         |
| Leasehold improvements . . . . .                           | <u>(34,981)</u>                                  | <u>(1,286)</u>     | <u>-</u>                        | <u>(36,267)</u>                  |
| Total accumulated<br>depreciation . . . . .                | <u>(728,474)</u>                                 | <u>(119,859)</u>   | <u>156,042</u>                  | <u>(692,291)</u>                 |
| Other capital assets, net . . . . .                        | <u>562,652</u>                                   | <u>(94,459)</u>    | <u>(6,127)</u>                  | <u>462,066</u>                   |
| Capital assets, net . . . . .                              | <u>\$ 637,652</u>                                | <u>\$ (94,459)</u> | <u>\$ (6,127)</u>               | <u>\$ 537,066</u>                |

Depreciation expense for the year ended June 30, 2010 was \$119,859.

The District occupies space in a county-owned building at no expense.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED JUNE 30, 2010**

**NOTE 3- RISK FINANCING ACTIVITIES**

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, employment practices, public officials liability, worker's compensation and employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE 4 - 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 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 became 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 4 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 the District 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 [www.treasury.state.tn.us/tcrs/ps](http://www.treasury.state.tn.us/tcrs/ps).

*FUNDING POLICY* - The District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0% of annual covered payroll.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010 was 10.03% 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.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED JUNE 30, 2010**

**NOTE 4 - RETIREMENT PLAN - CONTINUED**

*ANNUAL PENSION COST* - For the year ended June 30, 2010, the District's annual pension cost of \$53,346 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% a year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% 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. 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 11 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**TREND INFORMATION**

| <b><u>FISCAL<br/>YEAR<br/>ENDED</u></b> | <b><u>ANNUAL<br/>PENSION<br/>COST (APC)</u></b> | <b><u>PERCENTAGE<br/>OF APC<br/>CONTRIBUTED</u></b> | <b><u>NET<br/>PENSION<br/>OBLIGATION</u></b> |
|---|---|---|--|
| 6/30/10                                 | \$53,346  | 100.00%   | \$0.00                                       |
| 6/30/09                                 | \$51,957  | 100.00%   | \$0.00                                       |
| 6/30/08                                 | \$47,678  | 100.00%   | \$0.00                                       |

*FUNDED STATUS AND FUNDING PROGRESS* - As of July 1, 2009, the most recent actuarial valuation date, the plan was 100.02% funded. The actuarial accrued liability for benefits was \$0.37 million, and the actuarial value of assets was \$0.37 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.00 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.54 million, and the ratio of the UAAL to the covered payroll was 0.00%.

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents 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.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED JUNE 30, 2010**

**NOTE 4 - RETIREMENT PLAN - CONTINUED**

(Dollar amounts in thousands)

| <u>ACTUARIAL<br/>VALUATION<br/>DATE</u> | <u>ACTUARIAL<br/>VALUE<br/>OF PLAN<br/>ASSETS<br/>(A)</u> | <u>ACTUARIAL<br/>ACCRUED<br/>LIABILITY (AAL)<br/>ENTRY AGE<br/>(B)</u> | <u>UNFUNDED<br/>AAL<br/>(UAAL)<br/>(B) - (A)</u> | <u>FUNDED<br/>RATIO<br/>(A) / (B)</u> | <u>COVERED<br/>PAYROLL<br/>(C)</u> | <u>UAAL AS A<br/>PERCENTAGE OF<br/>COVERED PAYROLL<br/>(B - A) / (C)</u> |
|---|---|--|--|---------------------------------------|------------------------------------|--|
| 07/01/09                                | \$ 367  | \$ 367   | \$ -   | 100.02 %                              | \$ 537                             | 0.00 %   |
| 7/01/07                                 | \$ 262  | \$ 315   | \$ 53  | 83.17 %                               | \$ 427                             | 12.41 %  |

**NOTE 5 - PRIOR PERIOD ADJUSTMENT**

The District has corrected its financial statements for the omission of donated capital assets that were received in the prior year ended June 30, 2009, but were not recorded in the financial statements for the year ended June 30, 2009 due to a lack of substantiation of the fair market value of the donated capital assets. During the current year, the fair market value of donated capital assets was determined to be \$75,000. To correct this error, beginning net assets of \$1,751,980, as originally reported, has been increased to \$1,826,980.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
RETIREMENT PLAN - SCHEDULE OF FUNDING PROGRESS  
YEAR ENDED JUNE 30, 2010**

(Dollar amounts in thousands)

| <u>ACTUARIAL<br/>VALUATION<br/>DATE</u> | <u>ACTUARIAL<br/>VALUE OF<br/>ASSETS<br/>(A)</u> | <u>ACTUARIAL<br/>ACCRUED<br/>LIABILITY<br/>(AAL)<br/>(B)</u> | <u>UNFUNDED<br/>AAL<br/>(UAAL)<br/>(B)-(A)</u> | <u>FUNDED<br/>RATIO<br/>(A/B)</u> | <u>COVERED<br/>PAYROLL<br/>(C)</u> | <u>UAAL AS A<br/>PERCENTAGE<br/>OF COVERED<br/>PAYROLL<br/>((B-A)/(C))</u> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 7/01/09                                 | \$367  | \$367  | \$-  | 100.02%                           | \$537                              | 0.00%  |
| 7/01/07                                 | \$262  | \$315  | \$53   | 83.17%                            | \$427                              | 12.41%   |

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 went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

## **SCHEDULES**

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
BUDGETARY COMPARISON  
YEAR ENDED JUNE 30, 2010**

Schedule 1

|   | <u>ACTUAL</u>  | <u>BUDGET</u>   |                | <u>VARIANCE<br/>WITH FINAL<br/>BUDGET<br/>UNDER(OVER)</u> |
|---|----------------|-----------------|----------------|---|
|   |                | <u>ORIGINAL</u> | <u>FINAL</u>   |   |
| <b>OPERATING REVENUES</b>                     |                |                 |                |   |
| Emergency telephone service charges           |                |                 |                |   |
| AT&T .....                                    | \$ 193,934     | \$ 206,400      | \$ 206,400     | \$ 12,466   |
| Millington Telephone .....                    | 204,316        | 216,000         | 216,000        | 11,684  |
| Other .....                                   | 14,082         | 12,000          | 12,000         | (2,082)   |
| Tennessee Emergency<br>Communications Board   |                |                 |                |   |
| Shared wireless charge .....                  | 129,786        | 120,000         | 120,000        | (9,786)   |
| Operational funding .....                     | <u>184,448</u> | <u>120,041</u>  | <u>130,040</u> | <u>(54,408)</u>   |
| <b>TOTAL OPERATING<br/>    REVENUES</b> ..... | <u>726,566</u> | <u>674,441</u>  | <u>684,440</u> | <u>(42,126)</u>   |
| <b>OPERATING EXPENSES</b>                     |                |                 |                |   |
| Salaries and wages                            |                |                 |                |   |
| Director .....                                | 46,882         | 47,600          | 47,600         | 718   |
| Administrative personnel .....                | 38,682         | 37,600          | 37,600         | (1,082)   |
| Dispatchers .....                             | 431,339        | 454,237         | 454,237        | 22,898  |
| Part time personnel .....                     | 5,939          | 20,800          | 20,800         | 14,861  |
| Overtime .....                                | <u>21,357</u>  | <u>25,000</u>   | <u>25,000</u>  | <u>3,643</u>  |
|   | <u>544,199</u> | <u>585,237</u>  | <u>585,237</u> | <u>41,038</u>   |
| Employee benefits                             |                |                 |                |   |
| Payroll taxes .....                           | 44,993         | 58,524          | 58,524         | 13,531  |
| Insurance                                     |                |                 |                |   |
| Life .....                                    | 858            | 2,000           | 2,000          | 1,142   |
| Health .....                                  | 91,564         | 123,600         | 123,600        | 32,036  |
| Retirement .....                              | <u>53,346</u>  | <u>56,613</u>   | <u>56,613</u>  | <u>3,267</u>  |
|   | <u>190,761</u> | <u>240,737</u>  | <u>240,737</u> | <u>49,976</u>   |
| Contracted services                           |                |                 |                |   |
| Advertising .....                             | 40             | 300             | 300            | 260   |
| Audit and accounting services ...             | 8,775          | 10,020          | 10,020         | 1,245   |
| Legal services and<br>other consultants ..... | 2,121          | 20,000          | 20,000         | 17,879  |
| NCIC/TBI/TIES expenses .....                  | 8,040          | 8,320           | 8,320          | 280   |
| Maintenance                                   |                |                 |                |   |
| Maintenance agreements .....                  | 37,471         | 40,000          | 40,000         | 2,529   |
| Maintenance and repairs .....                 | 12,173         | 6,600           | 12,600         | 427   |
| Vehicle maintenance .....                     | 468            | 1,000           | 1,000          | 532   |
| Vehicle fuel .....                            | 1,192          | 1,800           | 1,800          | 608   |
| Repairs                                       |                |                 |                |   |
| Communication equipment ...                   | 9,384          | 40,000          | 34,000         | 24,616  |
| Other equipment .....                         | 2,500          | 6,000           | 6,000          | 3,500   |

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
BUDGETARY COMPARISON - CONTINUED  
YEAR ENDED JUNE 30, 2010**

**Schedule 1 - Continued**

|   | <u>ACTUAL</u>    | <u>BUDGET</u>    |                  | <u>VARIANCE<br/>WITH FINAL<br/>BUDGET<br/>UNDER(OVER)</u> |
|---|------------------|------------------|------------------|---|
|   |                  | <u>ORIGINAL</u>  | <u>FINAL</u>     |   |
| <b>OPERATING EXPENSES -<br/>CONTINUED</b> |                  |                  |                  |   |
| Contracted services, continued            |                  |                  |                  |   |
| Service providers                         |                  |                  |                  |   |
| Lease/rental .....                        | \$ 3,498         | \$ 4,000         | \$ 4,000         | \$ 502  |
| Service fees .....                        | <u>51,217</u>    | <u>55,200</u>    | <u>55,200</u>    | <u>3,983</u>  |
|   | <u>136,879</u>   | <u>193,240</u>   | <u>193,240</u>   | <u>56,361</u>   |
| Supplies and materials                    |                  |                  |                  |   |
| Uniforms .....                            | -                | 4,000            | 3,732            | 3,732   |
| Other supplies .....                      | 6,854            | 8,000            | 8,000            | 1,146   |
| Postage .....                             | 368              | 420              | 420              | 52  |
| Custodial supplies .....                  | 828              | 1,000            | 1,000            | 172   |
| Other supplies .....                      | 579              | 1,000            | 1,000            | 421   |
| Utilities                                 |                  |                  |                  |   |
| Electric .....                            | 1,588            | 2,500            | 2,500            | 912   |
| Telephone .....                           | <u>13,220</u>    | <u>15,600</u>    | <u>15,600</u>    | <u>2,380</u>  |
|   | <u>23,437</u>    | <u>32,520</u>    | <u>32,252</u>    | <u>8,815</u>  |
| Other charges                             |                  |                  |                  |   |
| Bank charges .....                        | 433              | 600              | 600              | 167   |
| Dues and memberships .....                | 860              | 2,000            | 2,000            | 1,140   |
| Testing and examinations .....            | -                | 1,000            | 1,000            | 1,000   |
| Service awards .....                      | 5,200            | -                | 5,200            | -   |
| Miscellaneous .....                       | 1,845            | 3,000            | 3,000            | 1,155   |
| TENA meeting .....                        | 4,765            | 6,600            | 6,600            | 1,835   |
| Insurance                                 |                  |                  |                  |   |
| Workmens compensation .....               | 2,264            | 2,004            | 2,264            | -   |
| Liability .....                           | 5,641            | 6,000            | 5,740            | 99  |
| Vehicle .....                             | 1,140            | 1,500            | 1,500            | 360   |
| Surety bond .....                         | 1,575            | 2,520            | 2,520            | 945   |
| Training and travel                       |                  |                  |                  |   |
| Public education .....                    | 1,267            | 1,000            | 1,267            | -   |
| Other .....                               | <u>11,140</u>    | <u>25,000</u>    | <u>19,800</u>    | <u>8,660</u>  |
|   | <u>36,130</u>    | <u>51,224</u>    | <u>51,491</u>    | <u>15,361</u>   |
| Depreciation .....                        | <u>119,859</u>   | <u>-</u>         | <u>123,136</u>   | <u>3,277</u>  |
| <b>TOTAL OPERATING<br/>EXPENSES .....</b> | <u>1,051,265</u> | <u>1,102,958</u> | <u>1,226,093</u> | <u>174,828</u>  |
| <b>OPERATING (LOSS) .....</b>             | <u>(324,699)</u> | <u>(428,517)</u> | <u>(541,653)</u> | <u>(216,954)</u>  |

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
BUDGETARY COMPARISON - CONTINUED  
YEAR ENDED JUNE 30, 2010**

**Schedule 1 - Continued**

|  | <u>ACTUAL</u>         | <u>BUDGET</u>         |                       | <u>VARIANCE<br/>WITH FINAL<br/>BUDGET<br/>UNDER(OVER)</u> |
|--|-----------------------|-----------------------|-----------------------|---|
|  |                       | <u>ORIGINAL</u>       | <u>FINAL</u>          |   |
| <b>NONOPERATING REVENUES</b>                       |                       |                       |                       |   |
| Interest income .....                              | \$ 24,661             | \$ 20,000             | \$ 20,000             | \$ (4,661)  |
| Contributions from governments                     |                       |                       |                       |   |
| Primary government .....                           | 160,000               | 160,000               | 160,000               | -   |
| Other governments                                  |                       |                       |                       |   |
| Town of Atoka .....                                | 25,000                | 25,000                | 25,000                | -   |
| Town of Brighton .....                             | 18,120                | 18,120                | 18,120                | -   |
| City of Covington .....                            | 100,000               | 100,000               | 100,000               | -   |
| Town of Mason .....                                | 4,281                 | 4,281                 | 4,281                 | -   |
| City of Munford .....                              | 30,000                | 30,000                | 30,000                | -   |
| Gain (loss) on disposal<br>of capital assets ..... | (6,127)               | -                     | -                     | 6,127   |
| Other .....  | <u>183</u>            | <u>300</u>            | <u>300</u>            | <u>117</u>  |
| <b>TOTAL NONOPERATING<br/>REVENUES .....</b>       | <b><u>356,118</u></b> | <b><u>357,701</u></b> | <b><u>357,701</u></b> | <b><u>1,583</u></b>                                       |
| <b>CHANGE IN NET ASSETS .....</b>                  | <b>31,419</b>         | <b>(70,816)</b>       | <b>(183,952)</b>      | <b>(215,371)</b>  |
| <b>NET ASSETS</b>                                  |                       |                       |                       |   |
| Balance at July 1, 2009,<br>as restated .....      | <u>1,826,980</u>      | <u>1,826,980</u>      | <u>1,826,980</u>      | <u>-</u>  |
| Balance at June 30, 2010 .....                     | <u>\$ 1,858,399</u>   | <u>\$ 1,756,164</u>   | <u>\$ 1,643,028</u>   | <u>\$ (215,371)</u>                                       |

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
INFORMATION REQUIRED BY THE TENNESSEE EMERGENCY  
COMMUNICATIONS BOARD  
YEAR ENDED JUNE 30, 2010**

**Schedule 2**

|  |   |
|--|---|
| Number of public safety answering points | 1   |
| Locations                                | 220 Hwy 51 N., Suite 4<br>Covington, TN 38019   |
| Type of system/equipment and database    | Bellsouth Interact<br>Tipton Street<br>File Database  |
| Director                                 | Ruth Renee Downing<br>220 Hwy 51 N., Suite 4<br>Covington, TN 38019<br>901-476-0252<br>901-475-4362 (fax) |
| Chairman                                 | James Sneed<br>2101 Wilkinsville Rd.<br>Drummonds, TN 38023<br>901-835-5994                               |

**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  
Tipton County Emergency Communications District  
Covington, Tennessee

We have audited the financial statements of the Tipton County Emergency Communications District (a component unit of Tipton County, Tennessee) as of and for the year ended June 30, 2010, which collectively comprise the Tipton County Emergency Communications District's basic financial statements and have issued our report thereon dated November 22, 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 *Governmental 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 Tipton County Emergency Communications 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 Tipton County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tipton County Emergency Communications District'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings to be material weaknesses (2008-1 and 2009-1).

#### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Tipton County Emergency Communications 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 a certain matter that we reported to management and the Board of Directors of Tipton County Emergency Communications District in our governance report dated November 22, 2010.

Tipton County Emergency Communications District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Tipton County Emergency Communications District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, Tennessee Comptroller of the Treasury, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Whitson Jakenly & Davis, PLLC".

November 22, 2010

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010**

**DEFICIENCIES IN INTERNAL CONTROL**

**Item No. 2008-1: Lack of Segregation of Duties**

*Condition:* The District has a lack of segregation of duties with regard to certain accounting functions related to cash receipts. The Director receives checks in the mail, prepares the bank deposit slip, reconciles the bank account, and maintains the general ledger accounts. In the Director's absence, the Operations Manager performs these functions.

*Criteria:* In order to adequately protect assets, the same individual should not have custody of particular assets, along with being responsible for recording transactions related to those assets.

*Effect:* An individual who performs both of the above-described duties has the opportunity to conceal any theft or misappropriation of assets.

*Recommendation:* We recommend that another employee, the Treasurer or a Board member perform certain functions to alleviate this lack of segregation of duties. Perhaps another employee or Board member could initially receive all mail and prepare cash receipt slips and/or the bank deposit slip, and make the bank deposit. A copy of the cash receipt slip and/or bank deposit slip would then be turned over to the Director for recording in the general ledger accounts.

*Management response:* In order to mitigate any effects from a lack of segregation of duties, the following procedures will take effect immediately.

- Employees will retrieve the mail and open the mail.
- Employee Kimberly Ballard will make copies of all checks, prepare the written deposit slip, and make copies of the written deposit slip to attach to each check. A copy of the cash receipt slip and/or bank deposit slip will then be turned over to the Operations Manager for recording in the general ledger accounts.
- Operations Manager will enter the deposit into Quickbooks and print deposit slips from Quickbooks to attach with each check.
- The Director will make the bank deposit.

**Item No. 2009-1: Adjustment of General Ledger Account Balances**

*Condition:* The communications tower that was donated during the year ended June 30, 2009 had been recorded in capital assets, at its fair value of \$45,000, at the time of commencement of the current year audit. However the fair value of \$45,000 had been reflected as current year contribution revenue rather than as a prior period adjustment. The portable buildings that were donated during the year ended June 30, 2009 had not been recorded in capital assets at the time of commencement of the current year audit. The fair value of the portable buildings was provided to us during the course of the audit and we proposed an adjustment to record those capital assets.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS - CONTINUED  
YEAR ENDED JUNE 30, 2010**

**DEFICIENCIES IN INTERNAL CONTROL - CONTINUED**

**Item No. 2009-1: Adjustment of General Ledger Account Balances - Continued**

*Criteria:* Accounting principles generally accepted in the United States of America require donated capital assets to be recorded at their fair value at time of donation.

*Effect:* The general ledger account balances for capital assets, contribution revenue, and net assets were misstated. We proposed adjustments to correct those misstatements.

*Recommendation:* Whenever donated capital assets are received, the District should take prompt action to obtain reliable fair values for those capital assets. This information should be promptly communicated to the District's contract CPA so the assets can be recorded at the proper amount in the year the contributions are received.

*Management response:* The capital assets could not be recorded at their fair value at the time of donation due to not being able to receive a response from the donor. Several attempts were made to obtain a response, but none was received until the current year ending June 30, 2010.

For any donated capital assets received in the future, the District will take prompt action to obtain reliable fair values for the capital assets received. The contract CPA will be notified of said contributions in the year contributions are received.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATUS OF PRIOR YEARS' FINDINGS  
YEAR ENDED JUNE 30, 2010**

**ITEMS CORRECTED**

Item No. 2008-2: Recording Donated Capital Assets

**ITEMS NOT CORRECTED**

Item No. 2008-1: Lack of Segregation of Duties