

**EMERGENCY COMMUNICATIONS DISTRICT**  
**OF BEDFORD COUNTY**  
**(A COMPONENT UNIT OF**  
**BEDFORD COUNTY, TENNESSEE)**

**SHELBYVILLE, TENNESSEE**

**AUDITED FINANCIAL STATEMENTS**  
**AND OTHER FINANCIAL INFORMATION**

**JUNE 30, 2011**

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**INTRODUCTORY SECTION**

**EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**

**Shelbyville, Tennessee**

**Board of Directors and Management Officials (unaudited)**

**June 30, 2011**

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Mark Thomas, Chairman

Tony Barrett, Vice Chairman

James Wilkerson, Secretary-Treasurer

Scott Johnson

Roger Hawks

Dixie Parker

Earl Adcock

Chris White

Curt Cobb

Cathey Mathis, Director

**EMERGENCY 911 COMMUNICATION'S DISTRICT OF BEDFORD COUNTY**  
(A component unit of Bedford County, Tennessee)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2011**

As management of the Emergency 911 Communications District of Bedford County, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ended June 30, 2011. Please read this discussion in conjunction with the District's financial statements, which follow this section.

**Overview of the Financial Statements**

This annual report includes the management's discussion and analysis report, the independent auditor's report and the basic financial statements.

**Required Financial Statements**

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities. The Statement of Net Assets includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligations to the District's creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all of its costs through surcharges and fees.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where cash comes from, what was cash used for, and what was the change in the cash balance during the reporting period.

**Financial Analysis of the District**

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in the Net Assets report information about the District's activities in a way that will help answer this question. These statements report the net assets of the District and the changes in them. One can think of the District's net assets-the difference between assets and liabilities-as one way to measure financial health and financial position. Over time, increases and decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. A summary of the District's net assets and changes in them is presented below and on the following page.

**Condensed Statement of Net Assets**

	June 30, <u>2011</u>	June 30, <u>2010</u>	<u>Difference</u>
Current and other assets	\$ 349,106	\$ 408,859	\$ (59,753)
Capital assets	<u>852,634</u>	<u>954,697</u>	<u>(102,063)</u>
Total assets	<u>\$1,201,740</u>	<u>\$ 1,363,556</u>	<u>\$ (161,816)</u>
Long-term liabilities outstanding	\$ 30,704	\$ 148,608	\$ (117,904)
Current liabilities	<u>136,569</u>	<u>150,383</u>	<u>(13,814)</u>
Total liabilities	<u>\$ 167,273</u>	<u>\$ 298,991</u>	<u>\$ (131,718)</u>
Net assets:			
Invested in capital assets, net of debt	\$ 704,026	\$ 695,640	\$ 8,386
Unrestricted	<u>330,441</u>	<u>368,925</u>	<u>(38,484)</u>
Total net assets	<u>\$1,034,467</u>	<u>\$ 1,064,565</u>	<u>\$ (30,098)</u>

**Condensed Statement of Revenues, Expenses  
And Changes in Net Assets**

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>	<u>Difference</u>
Revenues:			
Operating revenues	\$ 557,169	\$ 599,240	\$ (42,071)
Non-operating revenues	<u>22,151</u>	<u>22,590</u>	<u>(439)</u>
Total revenues	\$ <u>579,320</u>	\$ <u>621,830</u>	\$ <u>(42,510)</u>
Expenses:			
Depreciation expense	\$ 123,950	\$ 133,295	\$ (9,345)
Other operating expense	463,162	401,379	61,783
Non-operating expense	<u>22,306</u>	<u>20,676</u>	<u>1,630</u>
Total expenses	\$ <u>609,418</u>	\$ <u>555,350</u>	\$ <u>54,068</u>
Change in net assets	\$ (30,098)	\$ 66,480	\$ (96,578)
Beginning net assets	<u>1,064,565</u>	<u>998,085</u>	<u>66,480</u>
Ending net assets	\$ <u>1,034,467</u>	\$ <u>1,064,565</u>	\$ <u>(30,098)</u>

**Analysis of Financial Position and Results of Operations**

As can be seen from the above summarized financial information, the District's net assets have decreased approximately \$30,098 during the year ended June 30, 2011. There was a decrease in revenue of \$42,510 and total expenses increased by \$54,068.

**The District's Net Assets**

The District completed the year with net assets of \$1,034,467, which is approximately \$30,098 less than the prior year's ending net assets of \$1,064,565.

**Budgetary Highlights**

The District adopts an annual operating budget which includes proposed expenses and the means for paying these expenses. As conditions change during the year the budget may be amended to prevent budget overruns.

Income from residential phone lines was \$75,561 less than the budgeted income. However, state shared wireless income and income from private carriers due to cell phone use decreased approximately \$83,900. The decrease is due to what the District had budgeted, but there was a mistake in what was budgeted in this line. As far as a decrease in cell phone revenue the District feels that they have stayed in line with the previous year. Shared wireless charges are fees that are difficult to estimate.

**Capital Assets**

The District's investment in capital assets amounts to \$1,428,560 with accumulated depreciation of \$575,926. Capital assets include the capital leases, communication equipment, building improvements, and communication software upgrades.

**Long-Term Liabilities**

The District had \$148,608 in capital lease obligations outstanding as of June 30, 2011, compared with \$259,057 as of June 30, 2010. These leases were entered into for the purchase of communication equipment.

**Economic Factors and Future Needs**

The main economic factor facing Bedford County Emergency Communications District is the decrease in revenue generated from landline telephones. Many residents now use cell phones for the residential lines. While the increase in cell phone use is general revenue, only a portion of that revenue is being returned to each 911 District under the current system being used by the state for distributing shared wireless fees. This has become a problem in estimating revenue for budget preparation. However, recent reports from telephone companies indicate revenue may be stabilizing and may remain at a more manageable level in the future. This was true for the budget ending June 30, 2011 as actual emergency telephone surcharge revenue was short of the budget by \$75,561.

The District is continuing to work with the Bedford County Property Assessor's Office, Shelbyville Power Systems, City of Shelbyville, and Bedford County Utility to keep the Geographic Information System (GIS) up to date. The goal of this GIS project is to continue to make available mass amounts of data in forms of maps and layers that can be added and subtracted at any time. There is virtually no limit to the kind of information that can be placed in a GIS layer, as long as it has a geographic reference point. This mass amount of information has many uses in emergency situations such as locations of fire hydrants, routing for emergency response, road closures, and cutoff locations for gas, water, and power needs. The Bedford County Communication Center is no longer utilizing the EZ911 GIS mapping because the Center is not TIPS (Tennessee Information Public Safety) compliant. Being TIPS compliant (Tennessee Information Public Safety) is a very important part of NG911 (Next Generation) in being able to better locate a cell phone caller. Also, the Center is in danger of losing its GIS (Geographic Information System) revenue in the amount of \$10,000 and would not qualify for revenue that the District will receive from the State 911 Board in the amount of \$205,091.

The time is rapidly approaching where government agencies and citizens will have access to this information 24/7 from the home or office whenever the need arises. Funding for the Bedford County Emergency Communications District's cost related to the GIS mapping is provided through an annual maintenance GIS grant and NG911 (Next Generation) revenue received for being TIPS ( Tennessee Information Public Safety) compliant. The funding is applied for through the Tennessee Emergency 911 Communications Board.

All Districts in the State are now facing the new NG911 (next generation 911). This is a system that will allow callers to send text messages and picture messaging directly to the 911 Centers. This will be an IP (internet protocol) system. The Bedford County 911 Communications Center recently installed an IP based system, so that the District will be partially ready when the state wide system becomes available.

#### **Planned Purchases for the Budget year 2011/2012**

The Bedford County Emergency Communication Center Board of Directors approved an upgrade for the Center's CAD (Communicator Aid Dispatch), in order for the Center to have AVL (Automatic Vehicle Location) for the public agencies that have laptops in their units. The units will be able to utilize CAD as well as this will allow the public agencies to have access to all information that the dispatchers input into the Center's CAD and the units will be able to add additional information. The units will have access to the same mapping system that is in the 911 Center.

The Bedford County 911 Center is also in the process of installing NCIC (National Crime Information Center) through TBI (Tennessee Bureau of Investigation). This will allow the dispatchers to run tags, etc for law enforcement agencies. The Bedford County 911 Center is also installing a computer in order for the Center to have access to all the cameras in the school system.

We have received the Homeland Security Grant money for the purchase of an Emergency Event Notification System and a Severe Weather Alert Notification System. This will allow the Bedford County Emergency Communication Center to be able to notify the citizens of Bedford County of any disasters or severe weather in Bedford County. The citizens of Bedford County will have the option to receive these notifications by signing up for them and receive the notifications by landline phone, cell phone, email, and pagers.

**FINANCIAL SECTION**



# JOB, HASTINGS & ASSOCIATES

*Certified Public Accountants*

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Donna K. Hastings, CPA, CSEP  
James R. Jobe, CPA  
Joel H. Jobe (1944 – 2006)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Emergency Communications District of Bedford County  
Shelbyville, Tennessee

We have audited the accompanying statement of net assets of Emergency Communications District of Bedford County, a component unit of Bedford County, Tennessee, as of June 30, 2011, and the related statements of revenues, expenses, and changes in fund net assets, and cash flows for the year then ended. These financial statements are the responsibility of the management of Emergency Communications District of Bedford County. 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 respective financial position of Emergency Communications District of Bedford County as of June 30, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2011 on our consideration of Emergency Communications District of Bedford County's internal control over financial reporting and on our tests on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3 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 historical 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 Emergency Communications District of Bedford County's financial statements as a whole. The introductory section and the supplementary section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory section and the supplementary section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Jake Hastings Associates*  
Certified Public Accountants

Murfreesboro, Tennessee  
September 16, 2011

**EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**

**Shelbyville, Tennessee**

**Statement of Net Assets**

**June 30, 2011**

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**ASSETS**

Current Assets -		
Cash	\$	270,055
Accounts receivable - fees		29,941
Due from Tennessee Emergency Communications Board		16,301
Prepaid expenses		32,709
	TOTAL CURRENT ASSETS	<u>\$ 349,006</u>
Noncurrent Assets -		
Capital Assets -		
Building and improvements	\$	236,232
Furniture and fixtures		90,188
Office equipment		65,856
Communications equipment		847,571
Vehicles		45,149
Other capital assets		143,564
	\$	<u>1,428,560</u>
Less: accumulated depreciation		575,926
	\$	<u>852,634</u>
Other Assets -		
Security deposits	\$	100
	TOTAL ASSETS	<u>\$ 1,201,740</u>

**LIABILITIES**

Current Liabilities -		
Accounts payable	\$	4,841
Payroll deductions payable		1,438
Due to primary government		12,386
Capitalized lease obligations - current		117,904
	TOTAL CURRENT LIABILITIES	<u>\$ 136,569</u>
Long-term Liabilities -		
Capitalized lease obligations	\$	30,704
	TOTAL LIABILITIES	<u>\$ 167,273</u>

**NET ASSETS**

Invested in capital assets, net of related debt	\$	704,026
Unrestricted net assets		330,441
	TOTAL NET ASSETS	<u>\$ 1,034,467</u>

See notes to financial statements.

**EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**

**Shelbyville, Tennessee**

**Statement of Revenues, Expenses and Changes in Fund Net Assets**

**For the Year Ended June 30, 2011**

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Operating Revenues -	
Emergency telephone service charge	\$ 291,756
Tennessee Emergency Communications Board - shared wireless charge	98,260
Tennessee Emergency Communications Board - operational funding	167,153
	<u>\$ 557,169</u>
Operating Expenses -	
Salaries and Wages -	
Salaries and wages - director	\$ 7,160
Salaries and wages - administrative personnel	5,365
	<u>\$ 12,525</u>
Employee Benefits -	
Social Security	\$ 2,270
	<u>\$ 2,270</u>
Contracted Services -	
Address/mapping expenses	\$ 3,477
Advertising	378
Audit services	11,022
Accounting services	39
Administrative fees-service charges	9,277
Contracts with government agencies	167,081
Fees paid to service providers	33,078
Legal services	6,000
Maintenance agreements	95,517
Other consultants	255
Pest control	1,128
Lease/rental - furniture and fixtures	26
Maintenance and repairs - communications equipment	6,261
Maintenance and repairs - buildings and facilities	11,598
Maintenance and repairs - office equipment	331
Maintenance and repairs - vehicles	2,306
Other repairs	976
	<u>\$ 348,750</u>
Supplies and Materials -	
Office supplies	\$ 5,768
Custodial supplies	891
Postal charges	944
Small equipment purchases	6,192
Uniforms and shirts	6,693
Utilities - electric	15,416
Utilities - gas	822
Utilities - general telephone	9,450
Utilities - cell phones and pagers	10,535
Other supplies and materials	2,568
	<u>\$ 59,279</u>

**EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**

**Shelbyville, Tennessee**

**Statement of Revenues, Expenses and Changes in Fund Net Assets (continued)**

**For the Year Ended June 30, 2011**

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Other Charges -		
Board meeting expenses		\$ 910
Dues and memberships		2,533
Employee testing and exams		434
Insurance - workers compensation		2,494
Insurance - buildings and contents		7,072
Insurance - vehicles		575
Premiums on surety bonds		287
Public education		1,051
Service awards		3,997
Training expenses		7,836
Travel expenses		13,059
Language line		90
		<u>\$ 40,338</u>
Depreciation expense		<u>\$ 123,950</u>
	TOTAL OPERATING EXPENSES	<u>\$ 587,112</u>
	OPERATING LOSS	<u>\$ (29,943)</u>
Nonoperating Revenues (Expenses) -		
Interest income		\$ 151
Tennessee Emergency Communications Board - grants and reimbursements		22,000
Interest expense		(13,697)
Loss on disposal of property		(8,609)
		<u>\$ (155)</u>
	CHANGE IN NET ASSETS	<u>\$ (30,098)</u>
Net assets, July 1, 2010		<u>1,064,565</u>
	NET ASSETS, JUNE 30, 2011	<u><u>\$ 1,034,467</u></u>

See notes to financial statements.

**EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**

**Shelbyville, Tennessee**

**Statement of Cash Flows**

**For the Year Ended June 30, 2011**

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Cash Flows From Operating Activities -		
Cash received from surcharges and other revenues	\$	603,248
Cash payments to suppliers for goods and services		(506,416)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	<u>96,832</u>
Cash Flows From Capital and Related Financing Activities -		
Grants and reimbursements	\$	22,000
Principal paid on lease obligations		(110,448)
Interest paid on lease obligations		(13,697)
Acquisition of capital assets		(30,497)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$	<u>(132,642)</u>
Cash Flows from Investing Activities -		
Interest income received	\$	151
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$	<u>151</u>
	NET DECREASE IN CASH	\$ (35,659)
Cash, July 1, 2010		305,714
	CASH, JUNE 30, 2011	<u><u>270,055</u></u>
Reconciliation of Operating Loss to Net		
Cash Provided by Operating Activities -		
Operating loss	\$	(29,943)
Adjustments to reconcile operating income to net cash		
flows from operating activities -		
Depreciation		123,950
Changes in assets and liabilities -		
Decrease in accounts receivable - fees		46,239
Increase in due from Tennessee Emergency Communications Board		(160)
Increase in prepaid expenses		(21,984)
Decrease in accounts payable		(2,871)
Increase in payroll deductions payable		1,356
Decrease in due to primary government		(19,755)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	<u>96,832</u>
Cash paid during the year for interest	\$	<u>13,697</u>

See notes to financial statements.

# EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

## Shelbyville, Tennessee

### Notes to the Financial Statements

June 30, 2011

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#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information - On May 15, 1984, the Tennessee state legislature approved the "Tennessee Emergency Communications District Law" (Acts 1984, ch. 867) which enables a county, upon approval by voters, to create a district to provide local emergency telephone service. Subsequently, in July, 1987, the county legislative body of Bedford County, Tennessee approved the establishment of a district for their county, the Emergency Communications District of Bedford County (the "District"). As provided by the Act, the District operates as a governmental organization through the directives of a nine-member board of directors and provides enhanced 9-1-1 emergency telephone service for its service area. The directors serve without compensation for terms of three to four years.

Financial Reporting Entity - Component Unit - As specified and described by Standard 14 of the Governmental Accounting Standards Board (GASB); the District is a component unit of the primary government of Bedford County, Tennessee. The District reports its financial information separately from Bedford County; however, the District's financial information should also be discretely presented by the County in its financial report.

Legally, the District is a separate governmental entity that has considerable legal, financial and administrative autonomy. However, as the governing board is not elected but instead is entirely appointed by the Bedford County mayor and approved by the Bedford County commission, the District cannot be a primary government. Instead it qualifies as a component unit according to the directives of GASB.

GASB 14 specifies that component units must be legally separate organizations that have financial accountability to a primary government. Financial accountability exists prima facie if a special-purpose government is not fiscally independent. GASB states that to be fiscally independent, the government has to have the authority to do all of three activities. Two of these are to issue bonded debt without approval by another government and to levy taxes or set rates or charges without approval by another government. By Tennessee Code Annotated 7-86-114, before issuing negotiable bonds, the District must have approval of the legislative body of a county wherein a district is established. It also must have approval before making purchase contracts, lease agreements, and notes payable of over five years' duration. In addition, the Bedford County commission has the ability to adjust the District's service charges. Because the District is both a legal entity and financially accountable to the primary government of Bedford County as the County Commission approves all members of the governing board and by the nature of its fiscal dependence on Bedford County as described above, it is a component unit of Bedford County.

At June 30, 2011, there was a payable to Bedford County by the District in the amount of \$12,386. The District did not engage in any activities that were subject to the approval of Bedford County.

Basis of Presentation and Accounting - As a governmental entity, the District abides by the accounting rules and regulations issued by the Governmental Accounting Standards Board (GASB) as well as the Financial Accounting Standard Board issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. After November 30, 1989, the District follows GASB guidance only and does not follow any FASB guidance issued after that date. Promulgations of that board require that the accrual method of accounting be used for governmental units that operate in a manner similar to a private business.

The District does not have the authority to levy or collect taxes but is supported instead by the fees collected from telephone subscribers who benefit from the availability of its service. It recovers the cost of providing its services from its customers. Consequently, the District functions in a manner similar to a private business enterprise and utilizes the accrual method of accounting. Income is recognized as it is earned and expenses are recognized as they are incurred whether or not cash is received or paid out at that time.

**EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**

**Shelbyville, Tennessee**

**Notes to the Financial Statements (continued)**

**June 30, 2011**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net assets, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenue; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted for debt service; and unrestricted components. As of June 30, 2011, the District had an outstanding balance on a capital lease, amounts due the primary government, and accounts payable for vendor services.

Budgetary Law and Practice - The treasurer of the District files an annual budget with the mayor of Bedford County in accordance with the Tennessee Code Annotated, Title 7, Chapter 86, Part 1. In March of each year, the treasurer presents a preliminary budget to the board of directors. The budget is then discussed and amended as necessary for approval by the board.

The budget for operations is prepared on the cash receipts and disbursements basis by line item accounts. Revenues are budgeted in the year receipt is expected and disbursements are budgeted in the year that the disbursement is expected to occur. Capital lease payments are budgeted in total; however, depreciation expense is not budgeted.

Capital Assets - Capital assets are stated at cost or estimated historical cost if actual cost is not available and depreciated five years-vehicles, five to ten years-office, furniture and fixtures, communications equipment, and other capital assets, and seven to forty years-building and improvements by the straight-line method of depreciation. The District defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Maintenance and repairs are charged to operations when incurred. Major renewals and betterments are capitalized. When items of property are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included as non-operating revenue or loss.

Use of Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash Flow - Cash and Cash Equivalents - The District presents its cash flow statement using the direct method. For purposes of cash flow presentation, the District considers cash in operating bank accounts, cash on hand, and certificates of deposit with an original maturity of 90 days or less to be cash and cash equivalents. At June 30, 2011, the District did not hold any certificates of deposit.

Use of Facilities - The District conducts its operations in a building owned by Bedford County at no cost to the District. The measurement of the contribution from Bedford County is not considered material for disclosure as in-kind support and as expense in the accompanying statements of revenue, expenses, and changes in net assets.

**EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**

**Shelbyville, Tennessee**

**Notes to the Financial Statements (continued)**

**June 30, 2011**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses – The District’s operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its system. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the District’s policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

NOTE B - CASH AND CASH EQUIVALENTS

The District is authorized to make investments in bonds, notes or treasury bills of the United States, Federal Land Bank bonds, Federal Home Loan Bank notes and bonds, Federal National Mortgage Association notes and debentures, banks for cooperative debentures, or any of its other agencies, or obligations guaranteed as to principal and interest by the United States or any of its agencies with a maturity not greater than one year, or in the pooled investment fund established under Tennessee law. During the year ended June 30, 2011, the board of directors chose to limit the investment of funds to deposits at banks.

Cash - At June 30, 2011, the carrying amount of cash deposits was \$270,055 and the bank balance was \$291,356. At June 30, 2011, the entire bank balance was covered by federal depository insurance, or by collateral held in the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool (the pool) is a multiple financial institution collateral pool to which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the members of the pool if the value of collateral is inadequate to cover a loss.

<u>Cash Accounts</u>	<u>Interest Rate</u>	<u>June 30, 2011</u>	
		<u>Carrying Amount</u>	<u>Bank Balance</u>
Regions Bank checking	N/A	\$ 194,637	\$ 215,938
Regions Bank money market	.20%	<u>75,418</u>	<u>75,418</u>
		\$ <u>270,055</u>	\$ <u>291,356</u>

NOTE C - ACCOUNTS RECEIVABLE

The District receives the majority of its revenue from the telephone subscribers residing within Bedford County. As provided in the Act, telephone companies collect the 911 fees from the subscribers and remit the funds on a not longer than bi-monthly basis to the District. The policy of the telephone companies has been to remit based upon their billings rather than on their collections. Accordingly, the financial statements do not include a provision for bad debts.

The following is the detail of the receivables at June 30, 2011:

AT&T	\$ 17,604
Charter Fiberlink	4,601
United Telephone Company	4,119
Others	<u>3,617</u>
	\$ <u>29,941</u>

**EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**

**Shelbyville, Tennessee**

**Notes to the Financial Statements (continued)**

**June 30, 2011**

NOTE D - CAPITAL ASSETS

Capital assets are summarized as follows:

	<u>June 30,</u> <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2011</u>
<u>Capital assets, being depreciated -</u>				
Building and improvements	\$ 228,379	\$ 12,925	\$ (5,072)	\$ 236,232
Furniture and fixtures	90,343		(155)	90,188
Office equipment	75,117	16,334	(25,595)	65,856
Communications equipment	1,169,956	1,238	(323,623)	847,571
Vehicle	45,149			45,149
Other fixed assets	143,564			143,564
Subtotal	\$ <u>1,752,508</u>	\$ <u>30,497</u>	\$ <u>(354,445)</u>	\$ <u>1,428,560</u>
<u>Less accumulated depreciation -</u>				
Building and improvements	\$ (10,858)	\$ (7,138)	\$ 578	\$ (17,418)
Furniture and fixtures	(24,921)	(8,961)	94	(33,788)
Office equipment	(45,659)	(7,226)	22,869	(30,016)
Communications equipment	(625,834)	(84,395)	322,294	(387,935)
Vehicle	(20,724)	(5,747)		(26,471)
Other fixed assets	(69,815)	(10,483)		(80,298)
Subtotal	\$ <u>(797,811)</u>	\$ <u>(123,950)</u>	\$ <u>345,835</u>	\$ <u>(575,926)</u>
Capital assets, being depreciated, net	\$ <u>954,697</u>	\$ <u>(93,453)</u>	\$ <u>(8,610)</u>	\$ <u>852,634</u>

NOTE E - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is covered under insurance policies maintained by Bedford County. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE F - ACCOUNTS PAYABLE

Accounts payable includes amounts due vendors in the amount of \$4,841 at June 30, 2011.

NOTE G - CAPITAL LEASE OBLIGATIONS

The District has entered into lease agreements as lessee for financing the acquisition of capital assets including communications equipment. These lease agreements are capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

**EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**

**Shelbyville, Tennessee**

**Notes to the Financial Statements (continued)**

**June 30, 2011**

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NOTE G - CAPITAL LEASE OBLIGATIONS (continued)

The assets acquired through capital leases for the governmental activities are as follows:

Asset:		
Communication equipment		\$ 604,591
Less: accumulated depreciation		<u>(216,645)</u>
Total, net		\$ <u>387,946</u>

The future minimum lease obligations and the new present value of the minimum lease payments as of June 30, 2011, are as follows:

Year Ending		
<u>June 30,</u>		
2012		\$ 124,140
2013		<u>31,035</u>
Total minimum lease payments		\$ 155,175
Less: amount representing interest		<u>(6,567)</u>
Present value of minimum lease payments		\$ <u>148,608</u>

The amortization of capital assets acquired through capital leases is included in depreciation expense.

NOTE H - LONG-TERM DEBT

Long-term liability activity for capital leases the year ended June 30, 2011, was as follows:

Balance			Balance	Due Within
<u>July 1, 2010</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2011</u>	<u>One Year</u>
\$ 259,056		\$ 110,448	\$ 148,608	\$ 117,904

NOTE I - RELATED PARTY TRANSACTIONS

Bedford County provides administrative and dispatch employees and certain services to the District. The expenses, which are primarily salaries, employee benefits, and services, are billed to the District on an "as needed" basis. Amounts paid to Bedford County for the fiscal year 2011 totaled \$167,081.

**SUPPLEMENTARY INFORMATION**

**EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**

**Shelbyville, Tennessee**

**Comparison of Actual Cash Receipts and Disbursements to Cash Budget (Unaudited)**

**For the Year Ended June 30, 2011**

	Cash Receipts and Disbursements	Cash Budget	(Over) Under Budget
Cash Receipts -			
Emergency telephone service charges	\$ 324,439	\$ 400,000	\$ 75,561
Tennessee Emergency Communications Board -			
Shared wireless charge	98,100	182,000	83,900
Interest income	151	600	449
Tennessee Emergency Communications Board-			
Operational funding	183,196	147,574	(35,622)
Grants and reimbursements	22,000	142,000	120,000
Total Cash Basis Receipts	<u>\$ 627,886</u>	<u>\$ 872,174</u>	<u>\$ 244,288</u>
Cash Disbursements -			
Salaries and wages -			
Director	\$ 56,744	\$ 60,753	\$ 4,009
Dispatcher personnel reimbursement	30,000	30,000	-
	<u>\$ 86,744</u>	<u>\$ 90,753</u>	<u>\$ 4,009</u>
Employee Benefits			
Social Security	\$ 1,058	\$ 4,000	\$ 2,942
Employer Medicare	-	600	600
	<u>\$ 1,058</u>	<u>\$ 4,600</u>	<u>\$ 3,542</u>
Contracted services -			
Address/mapping expenses	\$ 9,025	\$ 16,000	\$ 6,975
Advertising	333	1,200	867
Audit services	11,022	11,022	-
Accounting services	39	3,000	2,961
Administrative fees - service charge	9,920	9,920	-
Contracts with government agencies	107,445	110,021	2,576
Fees paid to service providers	33,141	52,000	18,859
Legal services	6,000	6,600	600
Maintenance agreements	117,433	211,450	94,017
Other consultants	255	3,578	3,323
Pest control	1,090	1,750	660
Lease/rental-communications equipment	124,140	124,140	-
Lease/rental-furniture and fixtures	26	10,000	9,974
Lease/rental-office equipment	-	10,000	10,000
Maintenance and repairs - communications equipment	7,498	7,498	-
Maintenance and repairs - buildings and facilities	24,896	24,896	-
Maintenance and repairs - office equipment	1,626	3,000	1,374
Maintenance and repairs - vehicles	2,571	3,000	429
Maintenance and repairs - internet	959	1,200	241
Maintenance and repairs - language line	-	500	500
	<u>\$ 457,419</u>	<u>\$ 610,775</u>	<u>\$ 153,356</u>

**EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**

**Shelbyville, Tennessee**

**Comparison of Actual Cash Receipts and Disbursements to Cash Budget (Unaudited), (continued)**

**For the Year Ended June 30, 2011**

Supplies and materials -			
Office supplies	\$ 5,718	\$ 12,000	\$ 6,282
Custodial supplies	891	3,000	2,109
Postal charges	944	1,800	856
Small equipment purchases	10,055	11,800	1,745
Uniforms and shirts	7,117	8,000	883
Utilities - electric	15,500	18,000	2,500
Utilities - gas	790	4,500	3,710
Utilities - general telephone	9,450	10,000	550
Utilities - cell phones and pagers	10,470	10,470	-
Other supplies and materials	2,568	3,000	432
	<u>\$ 63,503</u>	<u>\$ 82,570</u>	<u>\$ 19,067</u>
Other charges -			
Board meeting expenses	\$ 910	\$ 1,500	\$ 590
Claims and judgements	-	2,000	2,000
Dues and memberships	2,533	4,000	1,467
Employee testing and exams	434	3,000	2,566
Insurance - workers compensation	2,494	2,507	13
Insurance - building and content	7,072	7,128	56
Insurance - vehicles	-	2,300	2,300
Premiums on surety bonds	850	2,500	1,650
Public education	1,051	2,000	949
Service awards	3,997	4,000	3
Training expenses	21,462	21,462	-
Travel expenses	13,858	16,000	2,142
	<u>\$ 54,661</u>	<u>\$ 68,397</u>	<u>\$ 13,736</u>
Total Cash Basis Disbursements	<u>\$ 663,385</u>	<u>\$ 857,095</u>	<u>\$ 193,710</u>
Disbursements in Excess of Receipts	<u>\$ (35,499)</u>	<u>\$ 15,079</u>	<u>\$ 50,578</u>
Reconciliation of Cash Basis to Accrual Basis -			
Depreciation expense	\$ (123,950)		
Capital purchases	30,497		
Principal payments on lease	110,448		
Decrease in receivables	(46,239)		
Increase in prepaid expenses	21,984		
Decrease in accounts payable	2,871		
Increase in payroll deductions payable	(1,356)		
Decrease in due to primary government	19,755		
Loss on disposal of property	(8,609)		
Net Reconciliation Cash to Accrual	<u>\$ 5,401</u>		
CHANGE IN NET ASSETS (ACCRUAL)	<u>\$ (30,098)</u>		
Net assets, July 1, 2010		<u>1,064,565</u>	
NET ASSETS, JUNE 30, 2011		<u>\$ 1,034,467</u>	

**INTERNAL CONTROL AND COMPLIANCE SECTION**



# **JOB, HASTINGS & ASSOCIATES**

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Joel H. Jobe (1944 – 2006)

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

To the Board of Directors  
Emergency Communications District of Bedford County  
Shelbyville, Tennessee

We have audited the financial statements of Emergency Communications District of Bedford County, a component unit of Bedford County, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the Emergency Communications District of Bedford County's basic financial statements and have issued our report thereon dated September 16, 2011. 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 Audit Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Emergency Communications District of Bedford County'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 Emergency Communications District of Bedford County'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 was 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Emergency Communications District of Bedford County'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 of Emergency Communications District of Bedford County in a separate letter dated September 16, 2011.

This report is intended solely for the information and use of management, the board of directors, Bedford County Board of Commissioners, and appropriate regulatory authorities and is not intended to be and should not be used by anyone other than these specified parties.

*Jolie, Hastings & Associates*  
Certified Public Accountants

Murfreesboro, Tennessee  
September 16, 2011