

**PERRY COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

(A Component Unit)

Financial Statements

June 30, 2011

PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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INTRODUCTORY SECTION

PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Board of Directors

June 30, 2011

<u>Official</u>	<u>Office</u>
Gary Rogers	Chairman
Charles Hendrix	Vice Chairman
Marianne Watson	Secretary
Janet Csarroll	Director
Jarrod Richardson	Director
Phillip Seiber	Director
Harold Mercer	Director
Mary Ann Qualls	Director

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

INDEPENDENT AUDITORS' REPORT

Board of Directors
Perry County Emergency Communications District
Linden, Tennessee

I have audited the accompanying financial statements of Perry County Emergency Communications District, a component unit of Perry County, Tennessee for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of Perry County Emergency Communications District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with generally accepted auditing standards of 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 I 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. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Perry County Emergency Communications District, a component unit of Perry County, as of June 30, 2011, and the results of its operations and the cash flows for the year ending June 30, 2011 in conformity with generally accepted accounting principles of the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 31, 2011, on the consideration of Perry County Emergency Communications District's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is to describe the scope of the 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 the audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The audit was conducted for the purpose of forming an opinion on the financial statements of Perry County Emergency Communications District, a component unit of Perry County, taken as a whole. The Introductory Section and the accompanying supplemental schedules in the table of contents, including the Schedule of State Financial Assistance, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in my opinion is fairly stated in all material respects in relation to the financial statements, taken as a whole.

John R Poole, CPA

July 31, 2011

Perry County Emergency Communications District

Management's Discussion and Analysis

As management of the Perry County Emergency Communications District, (the District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the District.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the Perry County Emergency Communications District exceeded its liabilities at the close of the most recent fiscal year by \$766,212. Of this amount, \$620,354 (unrestricted net assets) may be used to meet the District's ongoing obligations.

The District's total net assets increased by \$98,483 during the current year, primarily as a result of higher grant receipts than expected and keeping expenses within total expense appropriations.

Overview of the Financial Statements:

The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The basic financial statements can be found on pages 6-8 of this report. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9-11 of this report.

Financial Analysis of the Financial Statements

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the Perry County Emergency Communications District, assets exceeded liabilities by \$766,212 at the close of the most recent fiscal year.

By far the largest portion of the District's assets reflects its investment in capital assets. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Perry County Emergency Communications District's Net Assets - 2011

Current assets	\$ 622,326
Capital assets, net	<u>145,858</u>
Total assets	<u>768,184</u>
Accounts payable	<u>1,972</u>
Total liabilities	<u>1,972</u>
Net assets:	
Invested in capital assets	145,858
Unrestricted	<u>620,354</u>
Total net assets	\$ <u>766,212</u>

Perry County Emergency Communications District's Net Assets - 2010

Current assets	\$ 538,288
Capital assets, net	<u>130,485</u>
Total assets	<u>668,773</u>
Accounts payable	<u>1,044</u>
Total liabilities	<u>1,044</u>
Net assets:	
Invested in capital assets	130,485
Unrestricted	<u>537,244</u>
Total net assets	\$ <u>667,729</u>

At the end to the current fiscal year, the District is able to report positive balances in all categories of net assets.

Comparison of Revenues between years

	<u>2011</u>	<u>2010</u>	<u>Variance</u>
Operating Revenues:			
Emergency Telephone Service Charge	\$76,606	\$78,480	(\$1,874)
Operating Grants -TECB - Operational Funding	147,382	121,435	\$25,947
State Emergency Communications Board Wireless Charge	19,917	19,287	630
Total Operating Revenues	<u>243,905</u>	<u>219,202</u>	<u>24,703</u>
Operating Expenses:			
Dispatchers	46,900	43,000	(3,900)
Depreciation	38,086	33,613	(4,473)
Supplies	14,526	10,249	(4,277)
Insurance	6,539	6,395	(144)
Professional services	1,495	1,375	(120)
Training	5,128	2,089	(3,039)
Utilities	18,233	17,516	(717)
Repair and maintenance	21,138	12,860	(8,278)
Total Operating Expenses	<u>152,045</u>	<u>127,097</u>	<u>(24,948)</u>
Operating income (loss)	<u>91,860</u>	<u>92,105</u>	<u>(245)</u>
Nonoperating Revenues (Expenses):			
Other income	89	600	(511)
Interest income	6,534	6,827	(293)
Total Nonoperating Revenues (Expenses)	<u>6,623</u>	<u>7,427</u>	<u>(804)</u>
Net change in net assets	<u>98,483</u>	<u>99,532</u>	<u>(1,049)</u>

The District's net asset increases due to higher operating revenues in the current year.

Capital Asset

The Perry County Emergency Communications District's investment in capital assets from its activities at June 30, 2011, amounts to \$145,858 (net of accumulated depreciation). This investment in capital assets is in communications equipment and vehicles.

Perry County Emergency Communications District's Capital Assets

	<u>2011</u>	<u>2010</u>
Vehicles	\$ 20,000	20,000
Communication equipment	<u>465,327</u>	<u>411,868</u>
Total	485,327	431,868
Less accumulated depreciation	<u>(339,469)</u>	<u>(301,383)</u>
Net Capital Assets	\$ <u>145,858</u>	<u>130,485</u>

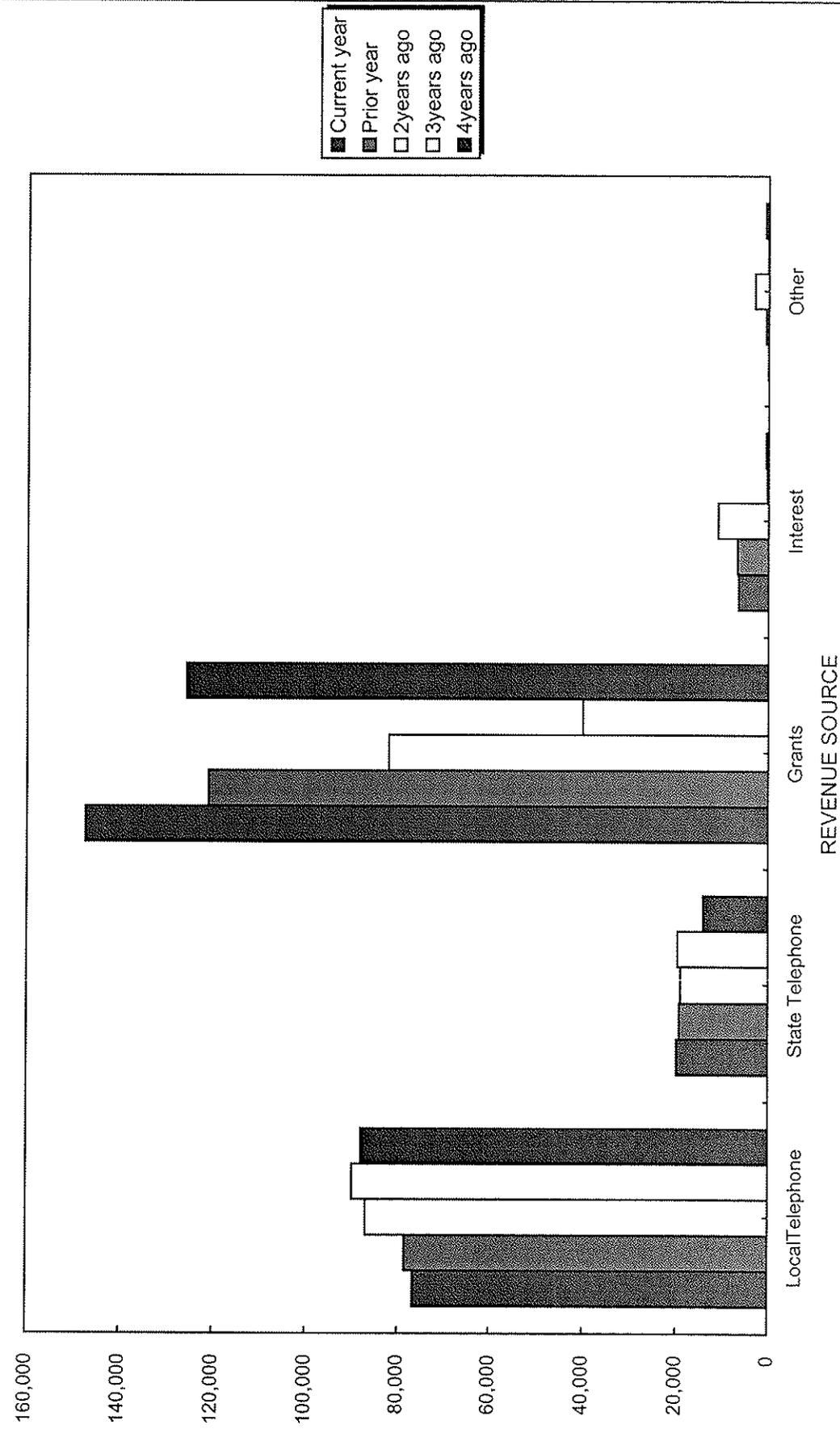
Additional information on the Perry County Emergency Communications District's capital assets can be found in the notes to the financial statements section of this report.

Requests for Information

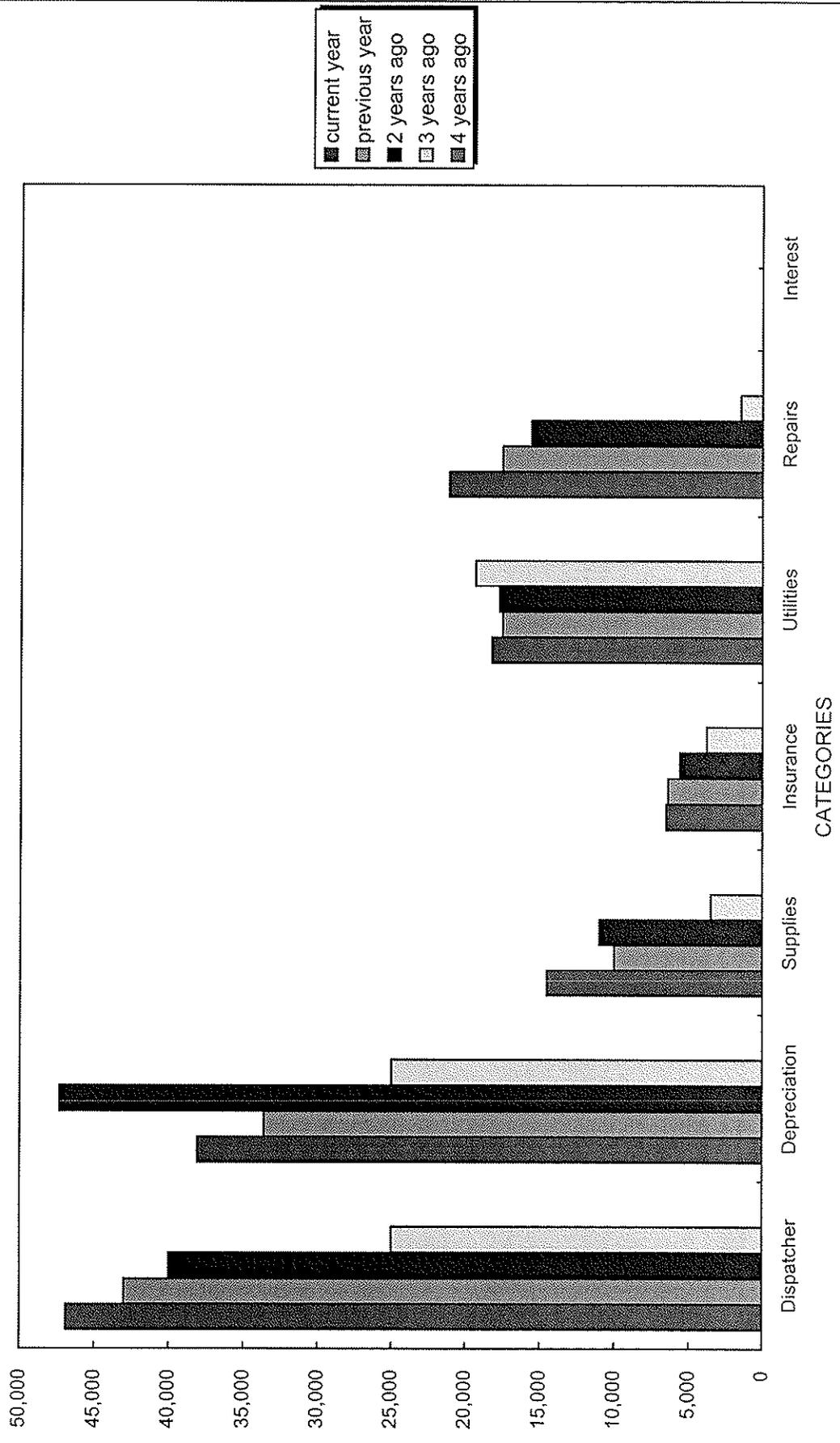
This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Cynthia Mercer
Perry County Emergency Communications District

**PERRY COUNTY 911
GOVERNMENTAL FUND REVENUES**



**PERRY COUNTY 911
GOVERNMENTAL FUND EXPENDITURES**



PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Net Assets

June 30, 2011

<u>Assets</u>	<u>Account Number</u>	
Current Assets:		
Cash and cash equivalents	1001	\$157,021
Certificate of deposits	1001	457,261
Accounts receivable	1004	8,044
Total Current Assets		<u>622,326</u>
Capital Assets:		
Communication equipment	1308	465,327
Vehicles	1310	20,000
Less accumulated depreciation - comm. equip.	1309	(319,469)
Less accumulated depreciation - vehicles	1311	(20,000)
Total Capital Assets, Net		<u>145,858</u>
Total Assets		<u><u>\$768,184</u></u>
 <u>Liabilities and Fund Equity</u>		
Current Liabilities		
Accounts payable	2001	1,972
Total Current Liabilities		<u>1,972</u>
Net Assets:		
Unrestricted	2320	620,354
Invested in capital assets	2301	145,858
Total Net assets		<u>766,212</u>

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

PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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

For the Year Ended June 30, 2011

	Account <u>Number</u>	
Operating Revenues:		
Emergency Telephone Service Charge	3001	\$76,606
Operating Grants -TECB - Operational Funding	3004	147,382
State Emergency Communications Board Wireless Charge	3002	19,917
Total Operating Revenues		<u>243,905</u>
 Operating Expenses:		
Dispatchers	4003	46,900
Depreciation	4500	38,086
Supplies	4301	14,526
Insurance	4409	6,539
Professional services	4203	1,495
Training	4418	5,128
Utilities	4307	18,233
Repair and maintenance	4232	21,138
Total Operating Expenses		<u>152,045</u>
 Operating income (loss)		<u>91,860</u>
 Nonoperating Revenues (Expenses):		
Other income	5009	89
Interest income	5002	6,534
Total Nonoperating Revenues (Expenses)		<u>6,623</u>
 Net change in net assets		98,483
 Net assets, June 30, 2010		<u>667,729</u>
 Net assets, June 30, 2011		<u><u>\$766,212</u></u>

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

PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Cash Flows

For the Year Ending June 30, 2011

Cash Flows from Operating Activities:	
Cash received from customers	\$244,814
Cash paid to suppliers	(112,942)
Net Cash Provided by Operating Activities	<u>131,872</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(53,459)
Net Cash Provided by Capital and Related Financing Activities	<u>(53,459)</u>
Cash Flows from Investing Activities:	
Redemption (purchase) of Certificate of deposit	(81,748)
Interest received	6,534
Net Cash From Investing Activities	<u>(75,214)</u>
Net Increase (decrease) in Cash	3,199
Cash and Cash Equivalents, June 30, 2010	<u>153,822</u>
Cash and Cash Equivalents, June 30, 2011	<u><u>\$157,021</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	\$91,860
Adjustments to reconcile operating income to net cash provided by operating activities:	
Other income	89
Depreciation	38,086
Change in accounts receivable	909
Change in accounts payable	928
Net Cash Provided by Operating Activities	<u><u>\$131,872</u></u>

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

PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Perry County Emergency Communications District (the District) was created as a public corporation on November 8, 1998 under authority of the provisions of Chapter 867 of the Tennessee Public Acts of 1984, as approved by the voters of Perry County, Tennessee. The powers of the District are vested in and exercised by a majority of the members of the Board of Directors, who are appointed by the County . The Board consists of nine members. The District is considered a political subdivision and is exempt from Federal and State income taxes. The District is considered a component unit of Perry County. The County appoints the board of directors and the County Commission may adjust service fees and must approve bonded debt. As a result, the Perry County Commission indirectly imposes its will on the District.

Basis of Accounting

The accompanying financial statements of the District have been prepared on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Expenditures are recognized in the accounting period in which the liability is incurred and is measurable.

The District applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions; issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The District has elected not to apply FASB Statements and interpretations issued after November 30, 1989.

Cash and Cash Equivalents

The District considers all highly liquid debt instruments purchased with maturities of 60 days or less to be cash equivalents.

Supply Inventory

Supply inventory is valued at the lower of cost (first-in, first-out) or market. Inventory items are considered expenditures when used (consumption method).

Property, Plant and Equipment

Property, plant and equipment of the District is recorded at cost. Depreciation is computed over the estimated life of the assets using the straight-line method. The estimated life for property, plant and equipment in service is from 3 to 10 years. The District does capitalize interest incurred on construction projects.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities 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.

PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Budgets and Budgetary Accounting

The District's annual budget is required by state law. The District's Board of Directors formally approve the budget. The budget is adopted on a basis consistent with generally accepted accounting principles. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by Board vote on an annual basis. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The Board approves total budget appropriations by line item only. The Board is authorized to transfer budget amounts between line items within each line item; however, any revisions that alter the total appropriations of any fund must be approved by vote of the Board. Management of the Board may not adjust budget amounts without Board approval.
- c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

Note 2 - CASH AND CERTIFICATES OF DEPOSIT

The District is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During the year, the District invested funds that were not immediately needed in deposit accounts. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The District has deposit policies to minimize custodial credit risks. The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the District and must total a minimum of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The District's deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

Note 3 - CAPITAL ASSETS

A summary of changes in capital assets in service is as follows:

	Balance <u>6-30-10</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6-30-11</u>
Vehicles	20,000	-	-	20,000
Equipment	<u>411,868</u>	<u>53,459</u>	<u>-</u>	<u>465,327</u>
	431,868	53,459	-	485,327
Less accumulated depreciation	<u>(301,383)</u>			<u>(339,469)</u>
Utility plant - net	<u>\$130,485</u>			<u>145,858</u>

The accumulated depreciation for the communication equipment is \$319,469 and for the vehicles is \$20,000. Depreciation expense for the year was \$38,086 (\$34,086 communications equipment and vehicles \$4,000).

PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2011

Note 4 - 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, and natural disasters. The District purchases commercial financial bonded insurance for its Treasurer and Chairman. For all other risks, the District purchases commercial insurance. There have been no claims during the last three years.

Note 5 - RELATED PARTY TRANSACTIONS

The District receives office space for its operations from Perry County. The Perry County Emergency Communications District is a component unit of Perry County. The value of the space is not considered material to the financial statements and is not recorded in these financial statements.

SUPPLEMENTAL INFORMATION

Financial schedules are used to demonstrate finance related legal and contractual compliance, provide details of data summarized in the financial statements and present other information deemed useful.

PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Revenues and Expenses
Budget and Actual

For the Year Ended June 30, 2011

		<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
Operating Revenues:	<u>Number</u>			
Emergency Telephone Service Charge	3001	\$55,000	\$76,606	\$21,606
Operating Grants -TECB - Operational Funding	3004	140,900	147,382	6,482
State Emergency Communications Board Wireless Charge	3002	20,000	19,917	(83)
Total Operating Revenues		<u>215,900</u>	<u>243,905</u>	<u>28,005</u>
Operating Expenses:				
Dispatchers	4003	40,000	46,900	(6,900)
Depreciation	4500	36,000	38,086	(2,086)
Supplies	4301	13,300	14,526	(1,226)
Insurance	4409	8,500	6,539	1,961
Professional services	4203	23,300	1,495	21,805
Training	4418	4,600	5,128	(528)
Utilities	4307	19,835	18,233	1,602
Repair and maintenance	4232	102,575	21,138	81,437
Total Operating Expenses		<u>248,110</u>	<u>152,045</u>	<u>96,065</u>
Operating income (loss)		<u>(32,210)</u>	<u>91,860</u>	<u>(68,060)</u>
Nonoperating Revenues (Expenses):				
Other income	5009	840	89	(751)
Interest income	5002	267	6,534	6,267
Total Nonoperating Revenues (Expenses)		<u>1,107</u>	<u>6,623</u>	<u>5,516</u>
Net change in net assets		<u>(31,103)</u>	<u>98,483</u>	<u>129,586</u>

PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Monthly Rates in Effect

June 30, 2011

<u>Type of Customer</u>	<u>Rate</u>
Residential customers	1.50
Business customers	3.00

PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Number and Classification of Customers

June 30, 2011

Residential customers	3,369
Business customers	738

PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of State Financial Assistance

For the Year Ended June 30, 2011

State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance July 1, 2010	Cash Receipts	Other Receipts	Cash Expenditures	Receivable (Deferred) Balance June 30, 2011
N/A	Training - dispatchers	State of Tennessee	\$0	8,000	\$0	8,000	0
N/A	GIS	State of Tennessee	\$0	10,000	\$0	10,000	0
Totals			0	18,000	0	18,000	0

State Program:

PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Insurance Coverage

June 30, 2011

<u>Type of Coverage</u>	<u>Detail Coverage</u>
Liability	\$ 3,000,000 maximum
Property	Various
Surety	Chairman Director

**COMPLIANCE AND
INTERNAL CONTROL**

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

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

Board of Directors
Perry County Emergency Communications District
Linden, Tennessee

I have audited the financial statements (as listed in the table of contents) of Perry County Emergency Communications District as of and for the year ended June 30, 2011, and have issued my report thereon dated July 31, 2011. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing the audit, I considered the Perry County Emergency Communications District's internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Perry County Emergency Communications District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

My consideration of the 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 discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a material weakness (2001-01 Lack of segregation of Duties).

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 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. I consider the deficiency described below (2001-01) to be a material weakness.

The material weakness is as follows:

2001-01 Separation of Duties

Due to the limited number of personnel employed by the District, several functions, which ideally should be performed by different individuals, are regularly performed by one or two persons. I recommend that the District strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Management Response:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Perry County Emergency Communications District's financial statements are free of material misstatement, I 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Perry County Emergency Communications District's response to the finding identified in the audit is described above. I did not audit the Management Response and, accordingly, I express no opinion on it.

I noted certain matters that I reported to management of the Perry County Emergency Communications District in a separate letter dated July 31, 2011.

This report is intended solely for the information and use of the audit committee, management, and State Comptrollers Office and is not intended to be and should not be used by anyone other than these specified parties.

John R Pool, CPA

July 31, 2011