

**CROCKETT COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2011

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
TABLE OF CONTENTS**

Page

Introductory Section

Schedule of Officials and Key Employees 1

Financial Section

Independent Auditor's Report 2
Management's Discussion and Analysis 4
Statement of Net Assets 8
Statement of Revenues, Expenses and Changes in Net Assets 9
Statement of Cash Flows 10
Notes to Financial Statements 11

Other Supplementary Information

Budgetary Comparison Schedule 16

Internal Control and Compliance Section

Independent Auditor's Report on Internal Control Over Financial Reporting and
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Governmental Auditing Standards* 19

Schedule of comments and recommendations 21

INTRODUCTORY SECTION

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OFFICIALS AND KEY EMPLOYEES
June 30, 2011**

| <u>Official</u> | <u>Position</u> |
|-----------------|-----------------|
| Ben Mehr | Chairperson |
| Brandon Ward | Vice-Chairman |
| Casey Burnett | Board Member |
| Sherri Gideon | Board Member |
| Lloyd Johnson | Board Member |
| Jim Knox | Board Member |
| Jackie Perry | Board Member |
| Timmy Williams | Board Member |
| William Young | Board Member |

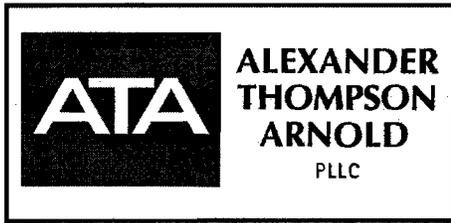
Management Official

Brian Black, Executive Director
Michelle Smallwood, Administrative Director

Independent Certified Public Accountant

Alexander Thompson Arnold PLLC
Dyersburg, Tennessee

FINANCIAL SECTION



Certified Public Accountants

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Tennessee Society of Certified Public Accountants
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Independent Auditor's Report

Board of Directors
Crockett County Emergency Communications District
Alamo, Tennessee

We have audited the accompanying financial statements of Crockett County Emergency Communications District (a component unit of Crockett County, Tennessee) (the District) as of and for the year ended June 30, 2011, as listed in the Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2011, and the changes in financial position and cash flows thereof 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 October 5, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Crockett County Emergency Communications District
Alamo, Tennessee

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 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 the District's financial statements as a whole. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has 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 it.

Certified Public Accountants
Dyersburg, Tennessee
October 5, 2011



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Crockett 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. All amounts, unless otherwise indicated, are expressed in actual dollars.

FINANCIAL HIGHLIGHTS

Management believes the District's financial condition is strong. The District is well within its budget and the more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were \$834 thousand and exceeded liabilities in the amount of \$788 thousand (i.e. net assets). Total assets increased by \$16 thousand.
- Net assets increased \$4 thousand during the current year.
- Operating revenues were \$232 thousand, an increase from year 2010 in the amount of \$35 thousand or 17.69%.
- Operating expenses were \$274 thousand, an increase from year 2010 in the amount of \$51 thousand or 23.05%.
- The operating loss for the year was \$42 thousand as compared to a \$25 thousand operating loss during the 2010 fiscal year.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the District's strategic plan, budget and other management tools were used for this analysis. The financial report is made up of 4 sections: 1) the introductory section, 2) the financial section, 3) the other supplemental information, and 4) the internal control and compliance section. The introductory section includes the District's directory. The financial section includes the MD&A, the independent auditor's report, the financial statements with accompanying notes, and the supplementary information. The other supplementary information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

REQUIRED FINANCIAL STATEMENTS

A Proprietary Fund is used to account for the operations of the District, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements report information about the District, using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *Statement of Net Assets* presents the financial position of the District on a full accrual, historical cost basis. The statement of net assets includes all of the District's assets and liabilities and provides

information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the District's operations and can be used to determine whether the District has successfully recovered all of its costs. This statement also measures the District's profitability and credit worthiness.

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. A *Supplementary Schedule* comparing the budget to actual expenses is also presented.

FINANCIAL ANALYSIS

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in the net assets. Net assets are one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The District's total net assets increased by \$4 thousand for the fiscal year ended June 30, 2011. The analysis below focuses on the District's net assets (Table 1) and changes in net assets (Table 2) during the year.

Table 2A
CONDENSED STATEMENT NET ASSETS

| | June 30, 2011 | June 30, 2010 | Increase (Decrease) | |
|------------------------------|-------------------|-------------------|---------------------|---------------|
| | | | \$ | % |
| Current and other assets | \$ 417,474 | \$ 377,682 | \$ 39,792 | 10.54% |
| Capital assets | 416,162 | 440,208 | (24,046) | -5.46% |
| Total assets | <u>833,636</u> | <u>817,890</u> | <u>15,746</u> | <u>1.93%</u> |
| Total liabilities | <u>45,477</u> | <u>33,673</u> | <u>11,804</u> | <u>35.05%</u> |
| Investment in capital assets | 416,162 | 408,327 | 7,835 | 1.92% |
| Unrestricted net assets | <u>371,997</u> | <u>375,890</u> | <u>(3,893)</u> | <u>-1.04%</u> |
| Total net assets | <u>\$ 788,159</u> | <u>\$ 784,217</u> | <u>\$ 3,942</u> | <u>0.50%</u> |

The decrease in capital assets was the result of the depreciation of the new emergency equipment, which replaced the system that was destroyed by lightning.

Changes in the District's net assets can be determined by reviewing the following condensed Statement of Income, Expenses and Changes in Net Assets for the years.

Table 2B
**CONDENSED STATEMENT OF INCOME, EXPENSES
AND CHANGES IN NET ASSETS**

| | June 30, 2011 | June 30, 2010 | Increase (Decrease) | |
|-------------------------------|-------------------|-------------------|---------------------|-----------------|
| | | | \$ | % |
| Operating revenues | \$ 232,067 | \$ 197,191 | \$ 34,876 | 17.69% |
| Non-operating revenues | 6,660 | 252,850 | (246,190) | -97.37% |
| Total revenues | <u>238,727</u> | <u>450,041</u> | <u>(211,314)</u> | <u>-46.95%</u> |
| Salaries and wages | 92,843 | 82,902 | 9,941 | 11.99% |
| Employee benefits | 5,727 | 10,902 | (5,175) | -47.47% |
| Contracted services | 49,246 | 18,089 | 31,157 | 172.24% |
| Supplies and materials | 22,545 | 47,244 | (24,699) | -52.28% |
| Other charges | 21,308 | 22,380 | (1,072) | -4.79% |
| Depreciation | <u>82,322</u> | <u>41,158</u> | <u>41,164</u> | <u>100.01%</u> |
| Total expenses | <u>273,991</u> | <u>222,675</u> | <u>51,316</u> | <u>23.05%</u> |
| Change in net assets | <u>(35,264)</u> | <u>227,366</u> | <u>(262,630)</u> | <u>-115.51%</u> |
| Beginning net assets | 784,217 | 556,851 | 227,366 | 40.83% |
| Prior Period Adjustment | <u>39,206</u> | - | <u>39,206</u> | |
| Beginning net assets-Restated | <u>823,423</u> | <u>556,851</u> | <u>266,572</u> | <u>47.87%</u> |
| Ending net assets | <u>\$ 788,159</u> | <u>\$ 784,217</u> | <u>3,942</u> | <u>0.50%</u> |

Operating revenues showed a 17.69% increase from 2010 to 2011. Expenses increase 23.05% from 2010 to 2011. The increase in expenses is due to additional costs required to operate new communications equipment at a higher level, as well as recurring expenses related to the new administration office.

CAPITAL ASSETS

At the end of the fiscal year 2011, the system had \$416 thousand (net of accumulated depreciation) invested in a broad range of District capital assets. This investment includes automobiles, equipment and various fixtures and pieces of furniture. Based on the uses of the aforementioned assets, they are classified for financial purposes as leasehold improvements, furniture and fixtures, office equipment, and communication equipment. This investment represents an overall decrease (net of increases and decreases) of \$24 thousand or 5.46% from last year.

The following tables summarize the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2011. These changes are presented in detail in Note 2B to the financial statements.

The District plans on using existing financial resources to keep upgrading existing systems and adding new systems where it sees fit and remain in compliance with the Tennessee Emergency Communications Board guidelines.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

| | June 30, | June 30, | Increase (Decrease) | |
|---|-------------------|-------------------|---------------------|---------|
| | 2011 | 2010 | \$ | % |
| Land | \$ 50,279 | \$ 50,279 | \$ - | 0.00% |
| Leasehold Improvements | 2,679 | - | 2,679 | 100.00% |
| Furniture and fixtures | 5,429 | 5,006 | 423 | 8.45% |
| Office equipment | 3,092 | 3,436 | (344) | -10.01% |
| Communication equipment | 354,683 | 381,486 | (26,803) | -7.03% |
| Total capital assets, net of accumulated depreciation | <u>\$ 416,162</u> | <u>\$ 440,207</u> | <u>\$ (24,045)</u> | -5.46% |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Due to the increased use of wireless devices, the District expects shared wireless revenue to continue to increase in future years. The District's surcharge for each wireless device is currently set at \$1.00. This rate is set by the State and is not expected to increase in the coming year. Due to the decreased use of landline phones, the District expects the emergency telephone service charge revenue to decrease in future years. The District's surcharge is currently set at \$.65 and \$1.50 for residential and business lines, respectively.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Executive Director of the Crockett County Emergency Communications District, 17 South Court Street; Alamo, TN 38001.

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
June 30, 2011

ASSETS

Current assets

| | | |
|-----------------------------|----|----------------|
| Cash and cash equivalents | \$ | 411,498 |
| Accounts receivable | | 4,492 |
| Accrued interest receivable | | 550 |
| Due from State of Tennessee | | 153 |
| Prepaid Expenses | | <u>781</u> |
| Total current assets | | 417,474 |

Noncurrent assets

Capital assets

| | | |
|-----------------------------|------------------|-----------------------|
| Building and improvements | 2,744 | |
| Land | 50,279 | |
| Furniture and fixtures | 12,711 | |
| Office equipment | 8,567 | |
| Communication equipment | 594,844 | |
| Accumulated depreciation | <u>(252,983)</u> | |
| Total capital assets | | <u>416,162</u> |

Total assets

833,636

LIABILITIES

| | | |
|----------------------------------|--------------|----------------------|
| Accounts payable | 43,615 | |
| Payroll taxes payable | <u>1,862</u> | |
| Total current liabilities | | <u>45,477</u> |

NET ASSETS

| | | |
|---|----------------|--------------------------|
| Investment in capital assets, net of related debt | 416,162 | |
| Unrestricted net assets | <u>371,997</u> | |
| Total net assets | | <u>\$ 788,159</u> |

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

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For The Year Ended June 30, 2011

| | | |
|---|--------|----------------------------|
| Operating revenues | | |
| Emergency telephone service charge | | 52,029 |
| State Emergency Communications Board - shared wireless charge | | 37,929 |
| State Emergency Communications Board - operational funding | | <u>142,109</u> |
| Total operating revenues | | <u>232,067</u> |
| Operating Expenses | | |
| Salaries and wages | 92,843 | |
| Employee benefits | 5,727 | |
| Contracted services | 49,246 | |
| Supplies and materials | 22,545 | |
| Other charges | 21,308 | |
| Depreciation | 82,322 | |
| Total operating expenses | | <u>273,991</u> |
| Operating loss | | <u>(41,924)</u> |
| Non-operating income | | |
| Interest income | | 3,820 |
| Grants from federal government | | 2,755 |
| TECB-grants and reimbursements | | 153 |
| Loss on disposal of property | | <u>(68)</u> |
| Total non-operating revenues | | <u>6,660</u> |
| Net loss | | (35,264) |
| Net assets, July 1, 2010 | | 784,217 |
| Prior Period Adjustment | | <u>39,206</u> |
| Net assets, July 1, 2010, as adjusted | | <u>823,423</u> |
| Net assets, June 30, 2011 | | <u>\$ 788,159</u> |

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

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2011

| | |
|--|--------------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 231,064 |
| Cash paid to suppliers of goods and services | (41,456) |
| Cash paid for employees' services and benefits | <u>(98,850)</u> |
| Net cash provided by operating activities | <u>90,758</u> |
| | |
| Cash flows from noncapital financing activities | |
| Federal FEMA funds | <u>2,755</u> |
| | |
| Cash flows from capital and related financing activities | |
| Acquisition of fixed assets | <u>(58,345)</u> |
| | |
| Cash flows from investing activities | |
| Interest on investments | <u>3,270</u> |
| | |
| Net increase in cash | 38,438 |
| | |
| Cash and cash equivalents-July 1, 2010 | <u>373,060</u> |
| | |
| Cash and cash equivalents-June 30, 2011 | <u>\$ 411,498</u> |
| | |
| Reconciliation of operating income to net cash provided by operating activities | |
| Operating loss | \$ (41,924) |
| <i>Adjustments to reconcile operating loss to net cash provided by operating activities:</i> | |
| Depreciation | 82,322 |
| Decrease in accounts receivable | 38,907 |
| Increase in prepaid expenses | (351) |
| Increase in accounts payable | <u>11,804</u> |
| Total adjustments | <u>132,682</u> |
| Net cash provided by operating activities | <u>\$ 90,758</u> |

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

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Crockett County Emergency Communications District (the "District") was formed under the provisions of the "Emergency Communications District Law" of the State of Tennessee on May 1, 1998. As such, it is considered to be a "municipality" or public corporation in perpetuity under its corporate name and shall be a body politic and corporate with power of perpetual succession, but without power to levy or collect taxes. All Tennessee emergency communications districts are required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* developed by the Office of the Comptroller of the Treasury, Division of County Audit, pursuant to Section 7-86-304, *Tennessee Code Annotated*.

The District provides a uniform emergency number to shorten the time required for a citizen to request and receive emergency aid.

In evaluating how to define the Crockett County Emergency Communications District for financial reporting purposes, management has considered whether the District is a primary government or a component unit of another primary government. The decision to be included as a component unit of another reporting entity is made by applying the criteria set forth in Governmental Accounting Standards Board Statement 14 on *The Financial Reporting Entity*. The District must obtain the approval of the Crockett County Commission before issuance of most debt instruments. The County has determined that this constitutes fiscal dependency by the District and has, therefore, included the District as a component unit of Crockett County. The District has a board of directors appointed by the Crockett County legislative body.

The District includes only the funds relevant to the operation of the Crockett County Emergency Communications District. Therefore, the financial statements of the District include only those funds controlled and administered by the District and the governing board of directors. Control is determined on the basis of budget adoption, taxing authority, funding, and appointing of the governing board.

The District is deemed to be a municipality under Tennessee state law and, as such, is exempt from federal income taxes.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Crockett County Emergency Communications District accounts for its financial position and results of operations in accordance with generally accepted accounting principles as defined in the Statements of Governmental Accounting Standards Board (GASB). Generally accepted accounting principles for proprietary fund types are those applicable to similar businesses in the private sector, and the measurement focus is on the determination of net income, financial position, and cash flows. Proprietary fund types are accounted for on the accrual basis, whereby 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. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 gives governments the option of applying all Financial Accounting

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

June 30, 2011

Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary funds, unless they conflict with or contradict GASB pronouncements. The Office of the Comptroller of the Treasury requires Tennessee emergency communications districts not to implement FASB statements and interpretations issued thereafter, unless they are adopted by GASB.

The District's Board of Directors approves an appropriatory budget annually. The budget is prepared on a basis which differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that capital expenditures are budgeted as operating expenses rather than being capitalized as fixed assets. The only significant difference on the current financial statements is the difference between budget and actual depreciation.

C. Assets, Liabilities, and Net Assets

Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of inception.

State statutes authorize the District to invest in certificates of deposit, obligation of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements, as approved by the state director of local finance, and the state's local government investment pool.

Accounts receivable

The District bills all telephone customers within its boundaries by a surcharge on the telephone bills. The telephone companies then remit the collections on a regular basis to the District. At June 30, 2011, these telephone companies are indebted to the District in the amount of \$4,192. There is no collateral or bonds securing these debts.

Capital assets

All capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. For the year under review, there was no interest costs capitalized.

Net assets

Equity is classified as net assets and displayed in the following components:

- Invested in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets.
- Unrestricted – All other net assets that do not meet the description of the above category.

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – DETAILED NOTES ON ACCOUNTS

A. Deposits and investments

The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2011, \$411,498 of the District's bank balance was covered by federal depository insurance.

B. Capital Assets

Capital asset activity for the year was as follows:

| Description | Balance 7/1/10 | Additions | Disposals | Balance 6/30/11 |
|--|-------------------|--------------------|--------------|--------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 50,279 | \$ - | \$ - | \$ 50,279 |
| Capital assets, being depreciated | | | | |
| Buildings | - | 2,744 | - | 2,744 |
| Furniture and fixtures | 10,573 | 2,282 | 144 | \$ 12,711 |
| Office equipment | 7,292 | 1,275 | - | 8,567 |
| Communication equipment | 542,970 | 52,044 | 170 | 594,844 |
| Total capital assets being depreciated | <u>560,835</u> | <u>58,345</u> | <u>314</u> | <u>618,866</u> |
| Less accumulated depreciation | | | | |
| Buildings | - | 65 | - | 65 |
| Furniture and fixtures | 5,567 | 1,827 | 112 | 7,282 |
| Office equipment | 3,856 | 1,619 | - | 5,475 |
| Communication equipment | 161,484 | 78,811 | 134 | 240,161 |
| Total accumulated depreciation | <u>170,907</u> | <u>82,322</u> | <u>246</u> | <u>252,983</u> |
| Net capital assets | <u>\$ 440,207</u> | <u>\$ (23,977)</u> | <u>\$ 68</u> | <u>\$ 416,162</u> |

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

Depreciation is recognized over the estimated useful lives of the property and equipment of 5 to 10 years using the straight-line method.

NOTE 3 – STEWARDSHIP, COMPLIANCE, and ACCOUNTABILITY

Budgetary Information

The District adopts a budget in accordance with the requirements of the Tennessee Emergency Communications Board and the Tennessee Code Annotated 7-86-120. This budget is adopted on an other comprehensive basis of accounting, which is not in accordance with generally accepted accounting principals. The budgetary basis of accounting includes expenditures for fixed assets and reduction of principal on long-term debt, but does not include depreciation. Expenditures are required to be within budgetary limits at the line item level of control.

The following budget overages were noted:

| <u>Expense</u> | <u>Overage</u> |
|----------------------|----------------|
| Rent | 771 |
| Pest Control | 45 |
| Building maintenance | 720 |
| Fuel | 1,945 |
| Office supplies | 228 |
| Postage | 6 |
| Cable | 242 |
| Miscellaneous | 74 |
| | 4,031 |

NOTE 4 – OTHER INFORMATION

Funding sources

Funding for the District's operations is provided by monthly fees from service users in the County and by monthly fees from wireless cellular phone subscribers. AT&T and alternate local exchange carriers collect service fees from the county users and remit the funds to the District. The Tennessee Emergency Communications Board collects monthly service fees from wireless cellular phone subscribers and remits a set percentage to the District.

Commitments

The District is obligated AT&T and TEC for the monthly operating and maintenance services pertaining to the operation of the emergency communications system. The maintenance portion of this contract is \$700 and \$813, respectively. The operating portion under this contract is based on the actual number of lines used and is adjusted annually.

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

During this fiscal year, the District entered into a rental agreement to lease office space for a monthly fee of \$400 per month. The District agreed to submit an annual rental payment of \$4,800 on July 1 of each year.

Risk management

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

Prior period adjustment

In 2010, the emergency communications system was replaced after being struck by lightning. The disposal of the old equipment was recorded in the prior year. However, the District was unsure of the exact proceeds that would be received from insurance. So that the insurance proceeds are matched with the loss on disposal, a prior period adjustment of \$39,206 has been booked.

OTHER SUPPLEMENTARY SECTION

The other supplementary information section of this report includes information not required to be included in the financial statements and is provided for the purpose of additional analysis.

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For The Year Ended June 30, 2011

| | Original Budget | Amended Budget | Actual | Variance Over (Under) |
|------------------------------------|--------------------|-------------------|-------------------|-----------------------------|
| Operating revenues | | | | |
| Emergency telephone service charge | \$ 54,500 | \$ 52,300 | \$ 51,728 | \$ (572) |
| SECB - share wireless charge | 43,500 | 38,000 | 37,929 | (71) |
| SECB - operational funding | 105,500 | 125,000 | 142,109 | 17,109 |
| | <u>\$ 203,500</u> | <u>\$ 215,300</u> | <u>\$ 231,766</u> | <u>\$ 16,466</u> |
| Operating expenses | | | | |
| Salaries and wages | | | | |
| Director | \$ 43,400 | \$ 48,700 | \$ 48,656 | \$ (44) |
| Administrative personnel | 26,300 | 32,500 | 32,299 | (201) |
| Overtime | 200 | 300 | 234 | (66) |
| Part-time | 100 | 100 | 40 | (60) |
| GIS mapping | 11,100 | 11,700 | 11,615 | (85) |
| Employee benefits | | | | |
| Payroll expenses | 11,000 | 13,000 | 5,727 | (7,273) |
| Contracted services | | | | |
| Audit services | 5,500 | 5,500 | - | (5,500) |
| Legal services | 210 | 100 | - | (100) |
| Maintenance agreements | 9,300 | 12,350 | 12,346 | (4) |
| Other consultants | 500 | 1,550 | 1,530 | (20) |
| Rent | - | 430 | 1,200 | 770 |
| Pest Control | - | - | 45 | 45 |
| Maintenance and repairs: | | | | |
| Communications equipment | 300 | 100 | - | (100) |
| Buildings | 300 | 3,100 | 3,820 | 720 |
| Office equipment | 50 | 500 | 499 | (1) |
| Vehicles | 2,500 | 3,700 | 1,675 | (2,025) |
| Fuel | - | - | 1,945 | 1,945 |
| Emergency telephone service | 33,500 | 18,900 | 18,898 | (2) |
| Supplies and materials | | | | |
| Office supplies | 4,000 | 4,600 | 4,828 | 228 |
| Postage | 125 | 180 | 186 | 6 |
| Small equipment purchases | 1,300 | 3,950 | 3,923 | (27) |
| Uniforms | 1,200 | 1,300 | 1,293 | (7) |
| GIS supply | 250 | 5,630 | 5,628 | (2) |
| Telephone | 800 | 990 | 988 | (2) |
| Cell and pagers | 2,200 | 2,830 | 2,804 | (26) |
| Electric | - | 1,000 | 900 | (100) |
| Gas | - | 1,150 | 1,138 | (12) |
| Water & Sewer | - | 120 | 111 | (9) |

See independent auditor's report.

**CRCOKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE**

For The Year Ended June 30, 2011

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance Over (Under)</u> |
|---------------------------------|----------------------------|---------------------------|-------------------------|--------------------------------------|
| Operating expenses (Cont.) | | | | |
| Supplies and materials | | | | |
| Cable | \$ - | \$ - | \$ 242 | \$ 242 |
| Other supply | 2,600 | 7,500 | 7,274 | (226) |
| Fax | 900 | 1,050 | 1,027 | (23) |
| Miscellaneous | 985 | 400 | 474 | 74 |
| Other charges | | | | |
| Dues and memberships | 775 | 300 | 190 | (110) |
| Insurance-workman's comp | 3,100 | 3,450 | 2,779 | (671) |
| Insurance-liability | 3,000 | 2,940 | 2,940 | - |
| Insurance-equipment | 1,150 | 1,130 | 1,126 | (4) |
| Insurance-vehicle | 1,000 | 1,000 | 990 | (10) |
| Premiums on surety bonds | 1,600 | 1,050 | 1,040 | (10) |
| Public education | 700 | 1,850 | 1,845 | (5) |
| Service awards | 50 | 700 | 669 | (31) |
| Training expenses | 3,400 | 2,800 | 2,763 | (37) |
| Travel expenses | 6,500 | 3,700 | 3,621 | (79) |
| Internet | 1,100 | 2,150 | 2,105 | (45) |
| Other expense | 1,200 | 1,120 | 1,119 | (1) |
| Depreciation | 37,000 | 41,000 | - | (41,000) |
| Total operating expenses | <u>\$ 219,195</u> | <u>\$ 246,420</u> | <u>\$ 192,532</u> | <u>\$ (53,888)</u> |
| Operating loss | <u>\$ (15,695)</u> | <u>\$ (31,120)</u> | <u>\$ 39,234</u> | <u>\$ 70,354</u> |
| Non-operating income | | | | |
| Interest income | 5,800 | 3,200 | 3,270 | 70 |
| State grants and reimbursements | 25,000 | 18,000 | - | (18,000) |
| Grants from federal government | - | - | 2,755 | 2,755 |
| Miscellaneous income | - | 44,275 | - | (44,275) |
| Loss on disposal of property | (500) | (500) | (68) | 432 |
| Total non-operating income | <u>30,300</u> | <u>64,975</u> | <u>5,957</u> | <u>(59,018)</u> |
| Net income | <u>\$ 14,605</u> | <u>\$ 33,855</u> | <u>\$ 45,191</u> | <u>\$ 11,336</u> |

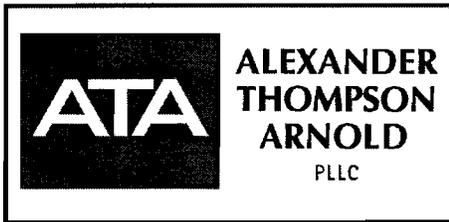
See independent auditor's report.

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For The Year Ended June 30, 2011

| | |
|---------------------------------|--------------------|
| Reconciliation To GAAP | |
| Net income-budgetary basis | \$ 45,191 |
| Adjustments for: | |
| Fixed assets capitalized | 11,403 |
| Revenues to accrual basis | 1,004 |
| Expenses to accrual basis | (10,540) |
| Depreciation expense | <u>(82,322)</u> |
| Change in Net Assets-GAAP basis | <u>\$ (35,264)</u> |

See the independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



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**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
Crockett County Emergency Communications District
Alamo, Tennessee

We have audited the financial statements of Crockett County Emergency Communications District (a component unit of Crockett County, Tennessee) (the District) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 5, 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 Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 comments and recommendations, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 11-1 described in the accompanying schedule of comments and recommendations to be a material weakness.

Board of Directors
Crockett County Emergency Communications District
Alamo, Tennessee

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider 98-1 described in the accompanying schedule of comments and recommendations to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the schedule of comments and recommendations as items 01-3 and 11-1.

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

We noted certain matters that we reported to management of the District in a separate letter dated October 5, 2011.

This report is intended solely for the information and use of the District's Board of Directors, management and the Comptroller of the Treasury, State of Tennessee. It is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Dyersburg, Tennessee
October 5, 2011

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT SCHEDULE OF COMMENTS AND RECOMMENDATIONS

June 30, 2011

Significant Deficiencies

98-1 Segregation of Duties

Condition: Due to the size of the staff, the Crockett County Emergency Communications District could not fully segregate the record-keeping, custodial and authorization functions of its internal accounting controls for the year ended June 30, 2011.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: While auditors recognize that staff size, due to funding limitations, is not adequate to fully segregate the functions mentioned above, management needs to be aware that this limitation of internal accounting controls does exist in the District.

Response: Due to the small staff of Crockett County Emergency Communications District, the Board requires two signatures on checking accounts except while on travel. Purchases are reviewed at each Board of Directors meeting. Any unusual purchase is approved by the Board or a Director before consummated.

Compliance and Other Matters

01-3 Budget Amendments

Condition: During the year ended June 30, 2011, eight line items of expenditures exceeded their budgeted amounts. They were: rent, pest control, building maintenance and repair, fuel, office supplies, postage, supplies and materials, and miscellaneous expense.

Criteria: The Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts requires that expenses be presented at the legal level of control, which is defined to be at the line-item level. TCA Section 7-86-120 requires emergency communications districts to adopt and operate under an annual budget.

Effect: The District has made expenses not legally approved in accordance with state statute.

Recommendation: We recommend the District carefully monitor its budget each month and make amendments as appropriate in order to include all expenditures. All final budget amendments for a current fiscal year must be approved prior to June 30.

Response: We will review expenses over the budget each month and work to amend budget as needed in future periods.

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF COMMENTS AND RECOMMENDATIONS
June 30, 2011

Material Deficiency and Noncompliance

11-1 Purchasing procedures

Condition: We noted numerous instances in which the District did not maintain receipts to support purchases. In addition to this, we noted that receipts are not being kept and reconciled on fuel accounts and credit cards.

Criteria: The Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts requires that "documentation be on file to support the book of account, such asreceipts, bank statements, cancelled checks, invoice, etc"

Effect: Unauthorized purchases could be purchased and paid for with District funds.

Recommendation: We recommend the District require all expenditures to have receipts supporting the purchase. We also recommend that the monthly fuel and credit cards be reconciled to the original receipts obtained at the time of purchase.

Response: We will begin reconciling all original receipts to the monthly statements.

Prior Year Findings

98-1 Segregation of Duties--Repeated

01-3 Budget Exceeded--Repeated.