

**FAYETTE COUNTY  
EMERGENCY COMMUNICATIONS DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
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## **INTRODUCTORY SECTION**

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

**OFFICIALS**

**POSITION**

Connie Doyle

Chairman

Ray Seals

Co-Chairman

Danny Daniel

Secretary

Will Bowling

Board Member

Bobby Riles

Board Member

Tom Day

Board Member

Patricia Bryan

Board Member

Jean Watkins

Board Member

Jeff Whitehorn

Board Member

Dave Harris

Attorney

**MANAGEMENT OFFICIAL**

Carolann Mason, Executive Director

**INDEPENDENT CERTIFIED ACCOUNTANTS**

Alexander Thompson Arnold PLLC  
Jackson, Tennessee

## **FINANCIAL SECTION**



Certified Public Accountants

[www.atacpa.net](http://www.atacpa.net)

227 Oil Well Road  
Jackson, TN 38305

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

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AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

## Independent Auditor's Report

Board of Directors  
Fayette County Emergency Communications District  
Somerville, Tennessee

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension data on pages 4 through 7 and 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of

financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Jackson, Tennessee  
May 16, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Fayette County Emergency Communications District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 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 \$1.55 million and exceeded liabilities in the amount of \$1.54 million (i.e. net assets).
- Net assets increased \$211 thousand during the current year.
- During fiscal year 2011, the District's Public Service Answering Points answered a total of 15,514 calls. The estimated 911 call volume total for 2010 was 12,397.
- Operating revenues were \$510 thousand, an increase from year 2010 in the amount of \$19 thousand or 3.97%.
- Operating expenses were \$419 thousand, an increase from year 2010 in the amount of \$136 thousand or 47.78%.
- The operating income for the year was \$91 thousand as compared to a \$207 thousand during the 2010 fiscal year.
- The ratio of operating income to total operating revenue was 1:4 for 2011 and 1:2 for 2010.

### OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

### REQUIRED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

## FINANCIAL ANALYSIS

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

The District's total net assets increased by \$211 thousand for the fiscal year ended June 30, 2011. The analysis on the following page focuses on the District's net assets (Table 1) and changes in net assets (Table 2) during the year.

**TABLE 1  
CONDENSED STATEMENT OF NET ASSETS**

	June 30, 2011	June 30, 2010	Increase (Decrease)	
			\$	%
Current and other assets	\$ 1,101,797	\$ 875,480	\$ 226,317	25.85%
Capital assets	443,706	474,468	(30,762)	-6.48%
Total assets	1,545,503	1,349,948	195,555	14.49%
Total liabilities	1,734	16,852	(15,118)	-89.71%
Investment in capital assets	443,706	474,468	(30,762)	-6.48%
Unrestricted net assets	1,100,063	858,628	241,435	28.12%
Total net assets	\$ 1,543,769	\$ 1,333,096	\$ 210,673	15.80%

The decrease in capital assets is due to the purchase of new equipment and depreciation in the current year. The increase in current and other assets was due to an increase in accounts receivable and cash

during the year, resulting in an overall increase in net assets for the year.

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

**TABLE 2**  
**CONDENSED STATEMENT OF INCOME, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**

	June 30, 2011	June 30, 2010	Increase (Decrease)	
			\$	%
Operating revenues	\$ 510,191	\$ 490,707	\$ 19,484	3.97%
Non-operating revenues	119,774	21,877	97,897	447.49%
Total revenues	<u>629,965</u>	<u>512,584</u>	<u>117,381</u>	<u>22.90%</u>
Salaries and wages	59,061	56,288	2,773	4.93%
Employee benefits	16,325	14,578	1,747	11.98%
Contracted services	243,160	108,944	134,216	123.20%
Supplies and materials	8,093	7,151	942	13.17%
Other charges	21,281	34,998	(13,717)	-39.19%
Depreciation & Amortization	<u>71,372</u>	<u>61,763</u>	<u>9,609</u>	<u>15.56%</u>
Total expenses	<u>419,292</u>	<u>283,722</u>	<u>135,570</u>	<u>47.78%</u>
Change in net assets	<u>210,673</u>	<u>228,862</u>	<u>(18,189)</u>	<u>-7.95%</u>
Beginning net assets	1,333,096	1,116,496	216,600	19.40%
Prior period adjustment	<u>-</u>	<u>(12,262)</u>	<u>12,262</u>	
Beginning net assets-restated	<u>1,333,096</u>	<u>1,104,234</u>	<u>228,862</u>	<u>20.73%</u>
Ending net assets	<u>\$ 1,543,769</u>	<u>\$ 1,333,096</u>	<u>210,673</u>	<u>15.80%</u>

Operating revenues showed a 3.97% increase from 2010 to 2011. Expenses increased from 2010 to 2011 by a total of 47.78%.

### **CAPITAL ASSETS**

At the end of fiscal year 2011, the system had \$444 thousand (net of accumulated depreciation) invested in the District's capital assets. This investment includes communications and office equipment, an automobile, and various fixtures and pieces of furniture. Based on the uses of the aforementioned assets, they are classified for financial purposes as furniture and fixtures, office equipment, communication equipment and vehicles. Assets purchased in 2011 include air conditioning equipment and updated GIS computers and servers. Thus, the increase of \$41 is due to the purchase of new equipment; however, depreciation of \$71 resulted in a net decrease in capital assets of \$31.

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 4 to the financial statements.

**TABLE 3**  
**CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION**

	June 30,	June 30,	Increase (Decrease)	
	2011	2010	\$	%
Furniture and fixtures	\$ 1,651	\$ 2,864	\$ (1,213)	-42.35%
Office equipment	28,927	32,487	(3,560)	-10.96%
Communication equipment	410,697	432,518	(21,821)	-5.05%
Vehicles	2,431	6,599	(4,168)	-63.16%
Total capital assets, net of accumulated depreciation	<u>\$ 443,706</u>	<u>\$ 474,468</u>	<u>\$ (30,762)</u>	-6.48%

The District plans on using existing and future financial resources to continue upgrading existing systems and equipment.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES**

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

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

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

**CONTACTING THE AUTHORITY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the District’s finances and to demonstrate the District’s accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Executive Director of the Fayette County Emergency Communications District, 705 Justice; Somerville, TN 38068.

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF NET ASSETS**

June 30, 2011

**ASSETS**

Current assets

Cash and cash equivalents		\$ 1,028,190
Accrued interest receivable		1,118
Accounts receivable		20,701
Prepaid expenses		<u>51,788</u>
<b>Total current assets</b>		<u><b>1,101,797</b></u>

Noncurrent assets

Capital assets

Furniture and fixtures	\$	8,627
Office equipment		50,798
Communication equipment		609,317
Vehicles		<u>22,415</u>
<b>Total capital assets</b>		<u>691,157</u>
Less accumulated depreciation		<u>(247,451)</u>
<b>Total noncurrent assets</b>		<u><b>443,706</b></u>

<b>Total assets</b>		<b><u>1,545,503</u></b>
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**LIABILITIES**

Current liabilities

Accounts payable		375
Compensated absences payable		<u>1,359</u>
<b>Total current liabilities</b>		<u><b>1,734</b></u>

**NET ASSETS**

Investment in capital assets		443,706
Unrestricted net assets		<u>1,100,063</u>
<b>Total net assets</b>		<b><u><u>\$ 1,543,769</u></u></b>

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

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**

For the Year Ended June 30, 2011

**Operating Revenues**

Emergency telephone service charge	245,854
Tennessee Emergency Communications Board - shared wireless charge	75,184
Tennessee Emergency Communications Board - operational funding	<u>189,153</u>
Total operating revenues	<u>510,191</u>

**Operating expenses**

Salaries and wages	
Director	44,178
Administrative personnel	14,283
Pay bonuses - longevity	<u>600</u>
Total salaries and wages	<u>59,061</u>

Employee benefits

Social security	3,662
Medicare	857
Medical insurance	6,358
Unemployment compensation	55
Employee retirement	<u>5,393</u>
Total employee benefits	<u>16,325</u>

Contracted services

Mapping	9,550
Advertising	234
Audit services	4,085
Impact fee	146,600
Legal services	225
General consultants	1,750
Maintenance and repairs:	
Communications equipment	59,328
Viper CAD	13,824
GIS maintenance	4,158
Vehicles	302
Fuel	3,043
Language line	<u>61</u>
Total contracted services	<u>243,160</u>

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

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**

For the Year Ended June 30, 2011

Supplies and materials	
Supplies and materials	849
Office supplies	2,481
Postage	103
Uniforms and shirts	658
General telephone	1,645
Cell phones and pager	1,164
Internet charges	1,193
Total supplies and materials	<u>8,093</u>
Other charges	
Bank charges	95
Dues and subscriptions	720
Workers' compensation	417
Insurance - liability	9,450
Legal notices	104
Premium on surety bonds	1,086
Public education	2,608
Training expenses	1,404
Travel expenses	4,703
Miscellaneous expense	694
Total other charges	<u>21,281</u>
Depreciation	
Depreciation expense	<u>71,372</u>
Total operating expenses	<u>419,292</u>
<b>Operating income</b>	<b><u>90,899</u></b>
Non-operating revenue	
Interest income	1,125
Investment income	8,704
Tennessee Emergency Communications Board - grants and reimbursements	<u>109,944</u>
Total non-operating revenues	<u>119,774</u>
<b><u>Net income</u></b>	<b>210,673</b>
Net assets-July 1, 2010	<u>1,333,096</u>
Net assets-July 1, 2011	<u>\$ 1,543,769</u>

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

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2011

**Cash flows from operating activities**

Cash received from surcharges and other revenues	\$ 511,737
Cash paid to suppliers of goods and services	(272,079)
Cash paid for employees' services and benefits	<u>(77,033)</u>
Net Cash Provided by Operating Activities	162,625

**Cash flows from capital and related financing activities**

State reimbursement for NG911 equipment	109,944
Acquisition of fixed assets	<u>(40,611)</u>
Net cash provided by capital and related financing activities	69,333

**Cash flows from investing activities**

Interest received	<u>11,594</u>
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**Net Increase in Cash** **243,552**

Cash and Cash Equivalents - June 30, 2010 784,638

**Cash and Cash Equivalents - June 30, 2011** **\$ 1,028,190**

**Reconciliation of operating income to net cash provided by operating activities**

Operating income	\$ <u>90,899</u>
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Depreciation	71,372
Decrease in accounts receivable	1,546
Decrease in prepaid expenses	13,922
Decrease in accounts payable	(13,467)
Decrease in compensated absences payable	(12)
Decrease in payroll deductions payable	<u>(1,635)</u>
Total adjustments	<u>71,726</u>
Net cash provided by operating activities	<b><u>\$ 162,625</u></b>

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

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

June 30, 2010

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Fayette County Emergency Communications District (District) (a component unit of Fayette County, Tennessee) was established by voter referendum in November, 1988, and the assessment of service fees began May 1989.

The purpose of the District is to provide a simplified means of securing emergency services by telephone to those persons living in Fayette County, Tennessee.

The District is considered a component unit of the County because its Board of Directors is appointed by the Fayette County Commission. The Fayette County Commission must approve any long-term debt issuance by the District, and also has the authority to decrease, but not increase, the user fees charged by the District.

The District's financial statements have been prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the *Governmental Accounting Standards Board (GASB)*, *Financial Accounting Standards Board (FASB) Statements and Interpretations*, *Accounting Principle Board (APB) Opinions*, and *Accounting Research Bulletins (ARBs)*, issued on or before November 30, 1989. After this date, the District has elected to apply only the GASB pronouncements. The following is a summary of the more significant accounting policies.

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

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District is considered an enterprise fund, which uses the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with this activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Enterprise Fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

**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.

**Accounts Receivable**

Accounts receivable represent amounts due from AT&T, other various telephone companies and state wireless charges.

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

June 30, 2010

**Capital Assets**

The capital assets are recorded at historical cost. Maintenance repairs and minor renewals are expensed as incurred.

Depreciation has been provided over the estimated useful lives of the capital assets by the straight-line method. The estimated useful lives are as follows:

Furniture, fixtures, equipment, and vehicles	5 - 20 years
Building improvements	20 years

**Compensated Absences**

The District allows full-time employees one day of vacation per month. The vacation days will have monetary value, and may be accrued, but only 15 days may be carried over at December 31. A liability is reflected in the financial statements for \$1,359.

The District allows employees to accrue one day per month sick leave. These days can be accrued; however, they have no monetary value, and employees will not be paid for accrued sick days upon termination. Therefore, no liability is reflected in the financial statements.

**Net Assets**

Equity is reported as net assets, which are classified into the following components as applicable:

- Invested in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any payables that are attributable to the acquisition, construction, or improvement of those assets
- Restricted – net assets when constraints are placed on their use by external third parties or imposed by law
- Unrestricted – all other net assets that do not meet the definition of the other categories.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

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 and expenses are on the cash basis rather than the accrual basis. The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds.

There were individual line item budget overages for the fiscal year ended June 30, 2011 in the amount of \$2,580.

**NOTE 3 – 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

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

June 30, 2010

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, all deposits were fully collateralized or insured.

**B. Capital Assets**

Capital asset activity for the year was as follows:

Description	Balance 7/1/10	Additions	Retirements	Balance 6/30/11
<b>Capital assets, being depreciated</b>				
Furniture and fixtures	\$ 8,628	\$ -	\$ -	\$ 8,628
Office equipment	52,103	-	1,305	50,798
Communication equipment	568,706	40,611	-	609,317
Vehicles	22,415	-	-	22,415
Total capital assets being depreciated	651,852	40,611	1,305	691,158
<b>Less accumulated depreciation</b>				
Furniture and fixtures	5,764	1,212	(1)	6,977
Office equipment	19,616	3,560	1,305	21,871
Communication equipment	136,188	62,432	-	198,620
Vehicles	15,816	4,168	-	19,984
Total accumulated depreciation	177,384	71,372	1,304	247,452
Total capital assets, net	\$ 474,468	\$ (30,761)	\$ 1	\$ 443,706

**NOTE 4 – OTHER INFORMATION**

**Commitments**

The District has contracted with AT&T for the provision of services relating to the operation of the VIPER system. The monthly obligation by the District under the contract is \$4,964 for a 60 month period.

**Funding Sources**

Funds for operations are provided by monthly fees from service users in Fayette County and also by the Tennessee Emergency Communications Board. AT&T and alternate local exchange carriers collect service fees from the county users and remit funds to the District. The State remits a percentage of the shared wireless charges based on the District's population.

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

June 30, 2010

Fiscal Year Ending	Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 5,393	100%	\$ -
June 30, 2010	\$ 3,851	100%	\$ -
June 30, 2009	\$ 3,209	100%	\$ -

**Funding Status and Funding Progress:** As of July 1, 2009, the most recent actuarial valuation date, the plan was 51.95 percent funded. The actuarial accrued liability for benefits was \$0.1 million, and the actuarial value of assets was \$0.00 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.00 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.00 million, and the ration of the UAAL to the covered payroll was 58.81 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

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

**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.

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

June 30, 2010

**Retirement Plan**

**Plan Description:** Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State Statutes are amended by the Tennessee General Assembly. Political subdivisions such as Fayette County 911 participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

**Funding Policy:** The District requires employees to contribute 5.0 percent of earnable compensation.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 9.13% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost:** For the year ending June 30, 2011, the District's annual pension cost of \$5,393 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five year period. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 20 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2011

Schedule of Funding Progress

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

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age cost method was a change made during the year, and therefore, only the most current year is presented.

*See independent auditor's report.*

## **OTHER SUPPLEMENTARY INFORMATION SECTION**

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

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>Cash receipts</b>				
Emergency telephone service charge	\$ 250,500	\$ 250,500	247,401	(3,099)
TECB - shared wireless charge	70,000	70,000	75,184	5,184
TECB - operational funding	<u>374,000</u>	<u>374,000</u>	<u>189,153</u>	<u>(184,847)</u>
Total cash basis revenues	<u>694,500</u>	<u>694,500</u>	<u>511,738</u>	<u>(182,762)</u>
<b>Cash expenditures</b>				
Salaries and wages				
Director	44,190	44,190	44,190	-
Administrative personnel	16,200	16,200	14,283	(1,917)
Bonus	<u>600</u>	<u>600</u>	<u>600</u>	<u>-</u>
Total salaries and wages	<u>60,990</u>	<u>60,990</u>	<u>59,073</u>	<u>(1,917)</u>
Employee benefits				
Social security/medicare	4,810	4,810	4,519	(291)
Medical insurance	6,700	6,700	6,358	(342)
Unemployment premiums	375	375	55	(320)
Retirement contributions	<u>5,800</u>	<u>5,800</u>	<u>5,393</u>	<u>(407)</u>
Total employee benefits	<u>17,685</u>	<u>17,685</u>	<u>16,325</u>	<u>(1,360)</u>
Contracted services				
Mapping	15,000	15,000	9,550	(5,450)
Advertising	300	300	234	(66)
Audit services	4,500	4,500	4,085	(415)
Accounting services	500	500	-	(500)
Impact fee	100,000	147,000	146,600	(400)
Legal services	1,000	1,000	225	(775)
General consultants	-	-	1,750	1,750
Maintenance and repairs:				
Communications equipment	84,000	84,000	59,328	(24,672)
Viper CAD	14,000	14,000	-	(14,000)
GIS maintenance	4,410	4,410	4,158	(252)
Office equipment	1,500	1,500	-	(1,500)
Vehicles	1,500	1,500	344	(1,156)
Fuel	3,500	3,500	2,898	(602)
Language line	<u>200</u>	<u>200</u>	<u>-</u>	<u>(200)</u>
Total contracted services	<u>230,410</u>	<u>277,410</u>	<u>229,172</u>	<u>(48,238)</u>

Continued

**FAYETTE 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>
Supplies and materials				
Office supplies	2,500	2,500	3,330	830
Furniture & fixtures	1,500	1,500	554	(946)
Postage	200	200	106	(94)
Uniforms and shirts	750	750	736	(13)
Utilities:				
General telephone	3,000	3,000	1,645	(1,355)
Cell phones and pagers	1,200	1,200	1,144	(56)
Internet	1,700	1,700	1,193	(507)
Total supplies and materials	<u>10,850</u>	<u>10,850</u>	<u>8,708</u>	<u>(2,141)</u>
Other charges				
Bank charges	95	95	95	-
Board meeting expense	500	500	-	(500)
Dues and memberships	1,000	1,000	720	(280)
Insurance:				
Workman's compensation	500	500	417	(83)
Liability	12,000	12,000	9,844	(2,156)
Legal notices	300	300	104	(196)
Premiums on surety bonds	2,500	2,500	593	(1,907)
Public education	2,000	2,610	2,608	(2)
Training expenses	3,000	3,000	2,878	(122)
Training expenses-dispatchers	12,000	12,000	12,000	-
Travel expenses	8,000	8,000	4,703	(3,297)
Miscellaneous expenses	1,200	1,200	790	(410)
Capital purchases	250,000	40,100	40,058	(42)
Total other charges	<u>293,095</u>	<u>83,805</u>	<u>74,810</u>	<u>(8,995)</u>
Total operating expenses	<u>613,030</u>	<u>450,740</u>	<u>388,088</u>	<u>(62,651)</u>
<b>Cash basis operating income</b>	<b><u>81,470</u></b>	<b><u>243,760</u></b>	<b><u>123,650</u></b>	<b><u>(120,110)</u></b>

Continued

**FAYETTE 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>
Non-operating income				
Investment income	5,000	5,000	10,469	5,469
Interest income	2,500	2,500	1,125	(1,375)
State grants and reimbursements	<u>-</u>	<u>-</u>	109,944	109,944
Total non-operating income	<u>2,500</u>	<u>2,500</u>	<u>121,538</u>	<u>108,570</u>
<b>Cash basis net income</b>	<b><u>\$ 83,970</u></b>	<b><u>\$ 246,260</u></b>	<b><u>\$ 245,188</u></b>	<b><u>\$ (11,540)</u></b>
<b>Reconciliation of cash basis to accrual basis</b>				
Depreciation expense			(71,372)	
Capital purchases			40,611	
Decrease in accrued interest receivable			(1,765)	
Decrease in current receivables			(1,546)	
Decrease in prepaid expense			(13,922)	
Decrease in accounts payable			13,467	
Decrease in compensated absences payable			<u>12</u>	
Net reconciliation cash to accrual			<u>(34,515)</u>	
<b>Increase in net assets (accrual)</b>			<b>210,673</b>	
Net assets - beginning of period			<u>1,333,096</u>	
Net assets - end of period			<u>\$ 1,543,769</u>	

*See the independent auditors' report.*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



Certified Public Accountants

[www.atacpa.net](http://www.atacpa.net)

227 Oil Well Road  
Jackson, TN 38305

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

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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  
Fayette County Emergency Communications District  
Somerville, Tennessee

We have audited the financial statements of Fayette County Emergency Communications District (a component unit of Fayette County, Tennessee) (the District) as of and for the year ended June 30, 2011, and have issued our report thereon dated May 16, 2012. 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**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

weaknesses, as defined above.

### **Compliance and Other Matters**

As a part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of the District in a separate letter dated May 16, 2012.

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

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Jackson, Tennessee  
May 16, 2012

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SUMMARY OF FINDINGS AND RECOMMENATIONS**  
June 30, 2011

**PRIOR YEAR FINDINGS**

There were no prior year findings.

**CURRENT YEAR FINDINGS**

There are no current year findings.