

**TIPTON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011**

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REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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INTRODUCTORY SECTION

**TIPTON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
DISTRICT OFFICIALS
JUNE 30, 2011**

Director

Ruth Renee Downing

Operations Manager

Dana Howeth

Board of Directors

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2011, on our consideration of Tipton County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Retirement Plan - Schedule of Funding Progress as

listed in the table of contents 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 the 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 Tipton County Emergency Communicating District's financial statements as a whole. The introductory section and schedule are presented for purposes of additional analysis and are not a required part of the financial statements. The 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.

A handwritten signature in cursive script that reads "Whitson Jenkins & Davis, P.C." The signature is written in black ink and is centered on the page.

November 16, 2011

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

Our discussion and analysis of Tipton County Emergency Communications District's (the "District") financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2011. It should be read with the District's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- The District's net assets increased approximately \$210,000 from the prior year as a result of this year's operations.
- Operating expenses increased to approximately \$1,070,000 in the current year, from \$1,051,000 for the year ending June 30, 2010.
- Current year revenues, including contributions and grants from participating local and state governments, were approximately \$1,043,000, a decrease from \$1,082,700 in the immediately preceding year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

USING THIS ANNUAL REPORT AND REQUIRED FINANCIAL STATEMENTS

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

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

CONDENSED COMPARATIVE FINANCIAL INFORMATION

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

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2011**

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

| | 2011 | 2010 |
|----------------------------------|----------|----------|
| Current Assets | \$ 1,502 | \$ 1,367 |
| Equipment | 606 | 537 |
| Total Assets | 2,108 | 1,904 |
| Current Liabilities | 40 | 46 |
| Net Assets | | |
| Invested in capital assets | 606 | 537 |
| Unrestricted | 1,462 | 1,321 |
| Total Net Assets | \$ 2,068 | \$ 1,858 |

Total net assets increased by \$209,721 during the current year as a result of revenues from telephone tariffs and grants from participating governments, net of expenses.

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

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

| | 2011 | 2010 |
|---|------------|-----------|
| Revenues and Contributions | | |
| Operating revenues | \$ 735 | \$ 726 |
| Contributions from local and other governments | 337 | 337 |
| Interest and other | (29) | 19 |
| Total Revenues and Contributions | 1,043 | 1,082 |
| Operating Expenses | | |
| Salaries and benefits | 770 | 735 |
| Contracted services | 141 | 137 |
| Supplies and materials | 22 | 23 |
| Depreciation | 115 | 120 |
| Other | 22 | 36 |
| Total Operating Expenses | 1,070 | 1,051 |
| Capital Contributions | 237 | - |
| Change in Net Assets | \$ 210 | \$ 31 |

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2011**

Our expenses were up from \$1,051,265 to \$1,069,633 largely due to increased salaries and benefits of \$34,799. Expenses other than salaries and benefits were actually slightly below the prior year.

BUDGETARY MATTERS

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

CAPITAL ASSET ADMINISTRATION

At the end of our fiscal year the District has a total of approximately \$606,000 invested in various capital assets, primarily in communications equipment, stated at original cost less related depreciation expense.

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

| | 2011 | 2010 |
|---|---------------|---------------|
| Equipment held for future use | \$ 75 | \$ 75 |
| Communication related equipment | 501 | 428 |
| Furniture and fixtures | 4 | 6 |
| Dispatch room | 26 | 28 |
| Total Capital Assets | \$ 606 | \$ 537 |

This year's main additions were communication related equipment of \$236,000, less junking of obsolete equipment.

ECONOMIC FACTORS FOR NEXT YEAR'S BUDGET

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

The District budgeted a total of \$32,000 in new equipment purchases for the fiscal year ending June 30, 2012. We expect to pay this amount from routine operations. No other large increases over the prior year's budget were made.

TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS**CURRENT ASSETS**

| | |
|---|-------------------------|
| Cash | \$ 307,722 |
| Investments-certificates of deposit | 1,136,027 |
| Accrued interest receivable | 3,149 |
| Accounts receivable | 33,240 |
| Due from Tennessee Emergency Communications Board | <u>22,236</u> |
| TOTAL CURRENT ASSETS | <u>1,502,374</u> |

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

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

Being depreciated

| | |
|-------------------------------------|------------------|
| Communication equipment | 1,108,210 |
| Furniture | 19,095 |
| Vehicle | 22,750 |
| Leasehold improvements | 33,460 |
| Less accumulated depreciation | <u>(652,399)</u> |
| | <u>531,116</u> |

| | |
|--|-----------------------|
| TOTAL CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION | <u>606,116</u> |
|--|-----------------------|

| | |
|---------------------------|----------------------------|
| TOTAL ASSETS | <u>\$ 2,108,490</u> |
|---------------------------|----------------------------|

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

| | |
|--|----------------------|
| Accounts payable | \$ 6,476 |
| Accrued payroll | 24,350 |
| Accrued expenses | 865 |
| Compensated absences | <u>8,679</u> |
| TOTAL CURRENT LIABILITIES | <u>40,370</u> |

NET ASSETS

| | |
|----------------------------------|-------------------------|
| Invested in capital assets | 606,116 |
| Unrestricted | <u>1,462,004</u> |
| TOTAL NET ASSETS | <u>2,068,120</u> |

| | |
|---|----------------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,108,490</u> |
|---|----------------------------|

See notes to financial statements

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011**

OPERATING REVENUES

| | |
|---|-----------------------|
| Emergency telephone service charges | \$ 382,409 |
| Tennessee Emergency Communications Board | |
| Shared wireless charge | 134,036 |
| Operational funding | <u>218,855</u> |
| TOTAL OPERATING REVENUE | <u>735,300</u> |

OPERATING EXPENSES

| | |
|--|----------------------------|
| Salaries and wages | |
| Director | 46,872 |
| Administrative personnel | 37,094 |
| Dispatchers | 458,990 |
| Part time personnel | 12,918 |
| Bonuses | <u>10,337</u> |
| | <u>566,211</u> |
| Employee benefits | |
| Payroll taxes | 47,744 |
| Insurance | 106,294 |
| Retirement | <u>49,510</u> |
| | <u>203,548</u> |
| Contracted services | |
| Advertising | 449 |
| Audit and accounting services | 9,465 |
| Legal services and other consultants | 536 |
| NCIC/TBI/TIES expenses | 8,100 |
| Maintenance | 46,192 |
| Noncapitalized equipment | 23,670 |
| Other contracted services | <u>52,653</u> |
| | <u>141,065</u> |
| Supplies and materials | |
| Office supplies and postage | 3,656 |
| Other supplies | 1,393 |
| Utilities and telephones | <u>16,651</u> |
| | <u>21,700</u> |
| Other charges | |
| Insurance | 11,840 |
| Training and travel | 5,692 |
| Other | <u>4,852</u> |
| | <u>22,384</u> |
| Depreciation | <u>114,725</u> |
| TOTAL OPERATING EXPENSES | <u>1,069,633</u> |
| OPERATING (LOSS) | <u>\$ (334,333)</u> |

See notes to financial statements

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - CONTINUED
YEAR ENDED JUNE 30, 2011**

NONOPERATING REVENUES (EXPENSES)

| | |
|---|-----------------------|
| Interest income | \$ 20,289 |
| Contributions from governments | |
| Primary government | 160,000 |
| Other governments | 177,401 |
| Gain (loss) on disposal of capital assets | (52,226) |
| Other | <u>2,017</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>307,481</u> |

CAPITAL CONTRIBUTIONS

| | |
|--|----------------|
| Tennessee Emergency Communications Board | <u>236,573</u> |
|--|----------------|

CHANGE IN NET ASSETS 209,721

NET ASSETS

| | |
|--------------------------------|---------------------|
| Balance at July 1, 2010 | <u>1,858,399</u> |
| Balance at June 30, 2011 | <u>\$ 2,068,120</u> |

TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|------------------|
| Cash received from surcharges and other operating revenues | \$ 736,761 |
| Cash payments to suppliers for goods and services | (188,834) |
| Cash payments for payroll, taxes, and employee benefits | (771,733) |
| Other revenues | <u>2,017</u> |
| Net cash (used) by operating activities | <u>(221,789)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

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

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|--|----------------|
| Purchase of capital assets | (236,001) |
| Capital contributions from Tennessee Emergency Communications Board | <u>236,573</u> |
| Net cash provided by capital and related financing activities | <u>572</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|--------------|
| Interest income | <u>3,256</u> |
| Net cash provided by investing activities | <u>3,256</u> |

NET INCREASE IN CASH

119,440

CASH

Balance at July 1, 2010

188,282

Balance at June 30, 2011

\$ 307,722

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS - CONTINUED
YEAR ENDED JUNE 30, 2011**

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

| | |
|---|---------------------|
| Operating (loss) | <u>\$ (334,333)</u> |
| Adjustments to reconcile operating (loss) to net cash provided by operating activities | |
| Depreciation | 114,725 |
| Other nonoperating revenue | 2,017 |
| Changes in assets and liabilities | |
| Accounts receivable | 1,676 |
| Due from Tennessee Emergency Communications Board | (218) |
| Accounts payable | 305 |
| Accrued payroll | 875 |
| Accrued expenses | (3,988) |
| Compensated absences | <u>(2,848)</u> |
| | <u>112,544</u> |

NET CASH (USED) BY OPERATING ACTIVITIES **\$ (221,789)**

**NONCASH INVESTING, CAPITAL AND
FINANCING ACTIVITIES**

Interest credited to certificates of deposit

| | |
|--|------------------|
| | <u>\$ 18,470</u> |
|--|------------------|

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

PROPRIETARY FUND

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

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

Investments with a remaining maturity of more than one year at the time of purchase are reported at fair value as determined by quoted market prices. Short-term investments are reported at amortized cost, which approximates fair value.

ACCOUNTS RECEIVABLE - Accounts receivable result principally from unpaid user fees or tariff rates. Accounts receivable are reported net of any necessary allowance for uncollectible accounts and revenues are reported net of uncollectibles. Allowances, or any need therefore, are based on past history of uncollectible accounts and management’s analysis of current accounts. There was no allowance for uncollectible accounts at June 30, 2011 nor any uncollectible amounts netted with charges for user fees or tariffs for the year ended June 30, 2011.

TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

A provision for depreciation is made on a basis considered adequate to amortize costs over the assets' estimated useful lives using the straight-line method. Useful lives are estimated at 5 - 10 years.

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

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

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

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

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

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

RETIREMENT PLAN - Costs of the retirement plan are computed by the frozen entry age actuarial cost method, including a cost-of-living provision and amortization of prior service costs. Pension costs are funded as accrued.

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

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

NOTE 2 - CAPITAL ASSETS

Capital asset activity during the year was as follows:

| | <u>BALANCE JULY 1, 2010</u> | <u>ADDITIONS</u> | <u>TRANSFERS/ DELETIONS</u> | <u>BALANCE JUNE 30, 2011</u> |
|--|---------------------------------|-------------------|---------------------------------|----------------------------------|
| Capital assets not being depreciated | | | | |
| Equipment held for future use | \$ 75,000 | \$ - | \$ - | \$ 75,000 |
| Total capital assets not being depreciated | <u>75,000</u> | <u>-</u> | <u>-</u> | <u>75,000</u> |
| Other capital assets | | | | |
| Communication equipment | 1,047,977 | 236,001 | (175,768) | 1,108,210 |
| Furniture | 19,095 | - | - | 19,095 |
| Vehicle | 22,750 | - | - | 22,750 |
| Leasehold improvements | <u>64,535</u> | <u>-</u> | <u>(31,075)</u> | <u>33,460</u> |
| Total other capital assets at historical cost | <u>1,154,357</u> | <u>236,001</u> | <u>(206,843)</u> | <u>1,183,515</u> |
| Less accumulated depreciation | | | | |
| Communication equipment | (619,804) | (111,833) | 123,542 | (608,095) |
| Furniture | (13,470) | (1,351) | - | (14,821) |
| Vehicle | (22,750) | - | - | (22,750) |
| Leasehold improvements | <u>(36,267)</u> | <u>(1,541)</u> | <u>31,075</u> | <u>(6,733)</u> |
| Total accumulated depreciation | <u>(692,291)</u> | <u>(114,725)</u> | <u>154,617</u> | <u>(652,399)</u> |
| Other capital assets, net | <u>462,066</u> | <u>121,276</u> | <u>(52,226)</u> | <u>531,116</u> |
| Capital assets, net | <u>\$ 537,066</u> | <u>\$ 121,276</u> | <u>\$ (52,226)</u> | <u>\$ 606,116</u> |

Depreciation expense for the year ended June 30, 2011 was \$114,725.

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

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2011**

NOTE 3- RISK FINANCING ACTIVITIES

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

NOTE 4 - RETIREMENT PLAN

PLAN DESCRIPTION - Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

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

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011 was 8.88% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2011**

NOTE 4 - RETIREMENT PLAN - CONTINUED

ANNUAL PENSION COST - For the year ended June 30, 2011, the District's annual pension cost of \$49,301 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% a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-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 9 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

TREND INFORMATION

| <u>FISCAL YEAR ENDED</u> | <u>ANNUAL PENSION COST (APC)</u> | <u>PERCENTAGE OF APC CONTRIBUTED</u> | <u>NET PENSION OBLIGATION</u> |
|---|---|---|--|
| 6/30/11 | \$49,301 | 100.00% | \$0.00 |
| 6/30/10 | \$53,346 | 100.00% | \$0.00 |
| 6/30/09 | \$51,957 | 100.00% | \$0.00 |

FUNDED STATUS AND FUNDING PROGRESS - As of July 1, 2009, the most recent actuarial valuation date, the plan was 100.02% funded. The actuarial accrued liability for benefits was \$0.4 million, and the actuarial value of assets was \$0.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.5 million, and the ratio of the UAAL to the covered payroll was 0.00%.

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

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

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2011**

NOTE 4 - RETIREMENT PLAN - CONTINUED

(Dollar amounts in thousands)

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

REQUIRED SUPPLEMENTARY INFORMATION

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
RETIREMENT PLAN - SCHEDULE OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2011**

(Dollar amounts in thousands)

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

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

SCHEDULE

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON
YEAR ENDED JUNE 30, 2011**

| | <u>ACTUAL</u> | <u>BUDGET</u> | | <u>VARIANCE WITH FINAL BUDGET UNDER(OVER)</u> |
|---|----------------|-----------------|----------------|---|
| | | <u>ORIGINAL</u> | <u>FINAL</u> | |
| OPERATING REVENUES | | | | |
| Emergency telephone service charges | | | | |
| AT&T | \$ 174,547 | \$ 175,000 | \$ 175,000 | \$ 453 |
| Millington Telephone | 191,780 | 180,000 | 180,000 | (11,780) |
| Other | 16,082 | 12,000 | 12,000 | (4,082) |
| Tennessee Emergency Communications Board | | | | |
| Shared wireless charge | 134,036 | 120,000 | 120,000 | (14,036) |
| Operational funding | <u>218,855</u> | <u>218,855</u> | <u>218,855</u> | <u>-</u> |
| TOTAL OPERATING REVENUES | <u>735,300</u> | <u>705,855</u> | <u>705,855</u> | <u>(29,445)</u> |
| OPERATING EXPENSES | | | | |
| Salaries and wages | | | | |
| Director | 46,872 | 51,067 | 51,067 | 4,195 |
| Administrative personnel | 37,094 | 40,415 | 40,415 | 3,321 |
| Dispatchers | | | | |
| Regular | 440,655 | 491,972 | 512,985 | 72,330 |
| Overtime | 18,335 | 25,000 | 25,000 | 6,665 |
| Part time personnel | 12,918 | 20,800 | 20,800 | 7,882 |
| Bonuses | <u>10,337</u> | <u>21,013</u> | <u>11,532</u> | <u>1,195</u> |
| | <u>566,211</u> | <u>650,267</u> | <u>661,799</u> | <u>95,588</u> |
| Employee benefits | | | | |
| Payroll taxes | 47,744 | 65,027 | 65,027 | 17,283 |
| Insurance | | | | |
| Life | 1,584 | 2,000 | 2,000 | 416 |
| Health | 104,710 | 130,000 | 130,000 | 25,290 |
| Retirement | <u>49,510</u> | <u>55,897</u> | <u>55,897</u> | <u>6,387</u> |
| | <u>203,548</u> | <u>252,924</u> | <u>252,924</u> | <u>49,376</u> |
| Contracted services | | | | |
| Advertising | 449 | 300 | 450 | 1 |
| Audit and accounting services ... | 9,465 | 12,000 | 12,000 | 2,535 |
| Legal services and other consultants | 536 | 5,000 | 5,000 | 4,464 |
| NCIC/TBI/TIES expenses | 8,100 | 8,320 | 8,320 | 220 |
| Maintenance | | | | |
| Maintenance agreements | 37,982 | 40,000 | 40,000 | 2,018 |
| Maintenance and repairs | 6,640 | 10,000 | 10,000 | 3,360 |
| Vehicle maintenance | 266 | 1,000 | 1,000 | 734 |
| Vehicle fuel | 1,304 | 1,800 | 1,800 | 496 |
| Noncapitalized equipment | | | | |
| Communication equipment ... | 16,302 | 276,073 | 276,073 | 259,771 |
| Other equipment | 7,368 | 5,000 | 7,368 | - |

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON - CONTINUED
YEAR ENDED JUNE 30, 2011**

| | <u>ACTUAL</u> | <u>BUDGET</u> | | <u>VARIANCE WITH FINAL BUDGET UNDER(OVER)</u> |
|---|------------------|------------------|------------------|---|
| | | <u>ORIGINAL</u> | <u>FINAL</u> | |
| OPERATING EXPENSES - CONTINUED | | | | |
| Contracted services - continued | | | | |
| Service providers | | | | |
| Lease/rental | \$ 3,159 | \$ 4,000 | \$ 4,000 | \$ 841 |
| Service fees | <u>49,494</u> | <u>70,200</u> | <u>70,200</u> | <u>20,706</u> |
| | <u>141,065</u> | <u>433,693</u> | <u>436,211</u> | <u>295,146</u> |
| Supplies and materials | | | | |
| Uniforms | 189 | 2,000 | 2,000 | 1,811 |
| Office supplies | 3,218 | 6,000 | 6,000 | 2,782 |
| Postage | 249 | 400 | 400 | 151 |
| Custodial supplies | 1,220 | 2,000 | 2,000 | 780 |
| Other supplies | 173 | 2,000 | 2,000 | 1,827 |
| Utilities | | | | |
| Electric | 1,594 | 3,000 | 3,000 | 1,406 |
| Telephone | <u>15,057</u> | <u>15,000</u> | <u>15,000</u> | <u>(57)</u> |
| | <u>21,700</u> | <u>30,400</u> | <u>30,400</u> | <u>8,700</u> |
| Other charges | | | | |
| Bank charges | 460 | 780 | 780 | 320 |
| Dues and memberships | 1,180 | 2,000 | 2,000 | 820 |
| Testing and examinations | 460 | 1,000 | 1,000 | 540 |
| Service awards | - | 11,532 | - | - |
| Miscellaneous | 909 | 5,000 | 5,000 | 4,091 |
| TENA meeting | 1,843 | 2,000 | 2,000 | 157 |
| Insurance | | | | |
| Workmens compensation | 3,311 | 2,204 | 3,311 | - |
| Liability | 5,739 | 6,600 | 6,600 | 861 |
| Vehicle | 1,140 | 1,500 | 1,500 | 360 |
| Surety bond | 1,650 | 3,000 | 3,000 | 1,350 |
| Training and travel | | | | |
| Public education | 1,868 | 2,000 | 2,000 | 132 |
| Other | <u>3,824</u> | <u>15,000</u> | <u>15,000</u> | <u>11,176</u> |
| | <u>22,384</u> | <u>52,616</u> | <u>42,191</u> | <u>19,807</u> |
| Depreciation | <u>114,725</u> | <u>123,136</u> | <u>123,136</u> | <u>8,411</u> |
| TOTAL OPERATING EXPENSES | <u>1,069,633</u> | <u>1,543,036</u> | <u>1,546,661</u> | <u>477,028</u> |
| OPERATING (LOSS) | <u>(334,333)</u> | <u>(837,181)</u> | <u>(840,806)</u> | <u>(506,473)</u> |

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON - CONTINUED
YEAR ENDED JUNE 30, 2011**

| | <u>ACTUAL</u> | <u>BUDGET</u> | | <u>VARIANCE WITH FINAL BUDGET UNDER(OVER)</u> |
|---|---------------------|---------------------|---------------------|---|
| | | <u>ORIGINAL</u> | <u>FINAL</u> | |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest income | \$ 20,289 | \$ 18,000 | \$ 18,000 | \$ (2,289) |
| Contributions from governments | | | | |
| Primary government | 160,000 | 160,000 | 160,000 | - |
| Other governments | | | | |
| Town of Atoka | 25,000 | 25,000 | 25,000 | - |
| Town of Brighton | 18,120 | 18,120 | 18,120 | - |
| City of Covington | 100,000 | 100,000 | 100,000 | - |
| Town of Mason | 4,281 | 4,281 | 4,281 | - |
| City of Munford | 30,000 | 30,000 | 30,000 | - |
| Gain (loss) on disposal of capital assets | (52,226) | - | - | 52,226 |
| Other | <u>2,017</u> | <u>180</u> | <u>180</u> | <u>(1,837)</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) ... | <u>307,481</u> | <u>355,581</u> | <u>355,581</u> | <u>48,100</u> |
| CAPITAL CONTRIBUTIONS | | | | |
| Tennessee Emergency Communications Board | <u>236,573</u> | <u>236,073</u> | <u>236,073</u> | <u>(500)</u> |
| CHANGE IN NET ASSETS | 209,721 | (245,527) | (249,152) | (458,873) |
| NET ASSETS | | | | |
| Balance at July 1, 2010 | <u>1,858,399</u> | <u>1,858,399</u> | <u>1,858,399</u> | <u>-</u> |
| Balance at June 30, 2011 | <u>\$ 2,068,120</u> | <u>\$ 1,612,872</u> | <u>\$ 1,609,247</u> | <u>\$ (458,873)</u> |

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

Board of Directors
Tipton County Emergency Communications District
Covington, Tennessee

We have audited the financial statements of the Tipton County Emergency Communications District (a component unit of Tipton County, Tennessee) as of and for the year ended June 30, 2011, which collectively comprise the Tipton County Emergency Communications District's basic financial statements and have issued our report thereon dated November 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings to be a material weakness (Item No. 2011-1).

COMPLIANCE AND OTHER MATTERS

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

We noted a certain matter that we reported to management and the Board of Directors of Tipton County Emergency Communications District in our governance report dated November 16, 2011.

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

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

A handwritten signature in black ink, reading "Whitcomb Jenkins & Davis, PLLC". The signature is written in a cursive, flowing style.

November 16, 2011

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011**

MATERIAL WEAKNESS

Item No. 2011-1: Adjustment of General Ledger Account Balances

Condition: The following material audit adjustments were proposed: (1) correction for the duplicate recording of the prior year's adjustment to reflect the donation of buildings and (2) disposal of capital assets no longer in service.

Criteria: The District is responsible for internal controls over the adjustment of its general ledger account balances.

Effect: The general ledger account balances for capital assets, contributions revenue, and loss on disposition of capital assets were misstated.

Recommendation: Appropriate care should be taken to ensure that general ledger account balances are properly stated prior to commencement of the audit.

Management response: We will coordinate such matters with our contract CPA to try to avoid such misstatements in the future.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATUS OF PRIOR YEARS' FINDINGS
YEAR ENDED JUNE 30, 2011**

ITEMS CORRECTED

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

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