TROUSDALE COUNTY EMERGENCY

COMMUNICATIONS DISTRICT

(A Component Unit)

Financial Statements

June 30, 2011

TROUSDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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INTRODUCTORY SECTION

TROUSDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Board of Directors

June 30, 2011

Official	Office
Wayland Cothron	Chairman
Ray Russell	Vice - Chairman
Mark Beeler	Treasurer
Jerry Helm	Secretary
Jimmy Anthony	Director
James McDonald	Director
Tamara Wright	Director
Charles Beasley	Director

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE (615) 822-4177
HENDERSONVILLE, TN 37075

INDEPENDENT AUDITORS' REPORT

Board of Directors
Trousdale County Emergency Communications District
Hartsville, Tennessee

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

I conducted the audit in accordance with 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trousdale County Emergency Communications District as of June 30, 2011, and the results of its operations and the 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,* I have also issued my report dated November 30, 2011, on the consideration of Trousdale County Emergency Communications District's internal control over financial reporting and the test 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 the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

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

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

John R Poole, CPA

November 30, 2011

Trousdale County Emergency Communications District

Management's Discussion and Analysis

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

Financial Highlights:

The assets of the Trousdale County Emergency Communications District exceeded its liabilities at the close of the most recent fiscal year by $863,790. Of this amount, $706,826 (unrestricted net assets) may be used to meet the District's ongoing obligations. The District's total net assets increased by $243,419 during the current year as the District received higher than expected revenues and was able to control its costs within budgeted amounts.

Overview of the Financial Statements:

The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Financial Analysis of the Financial Statements

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the Trousdale County Emergency Communications District, assets exceeded liabilities by $863,790 at the close of the most recent fiscal year. By far the largest portion of the District's assets reflects its investment in capital assets. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Trousdale County Emergency Communications District's Net Assets

		2010	2011
Current and other assets	$	437,445	709,723
Capital assets, net		185,823	156,964
Total assets		623,268	866,687
Accounts payable		2,897	2,897
Total liabilities		2,897	2,897
Net assets:			
Invested in capital assets		185,823	156,964
Unrestricted		434,548	706,826
Total net assets	$	620,371	863,790

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

Capital Asset

The Trousdale County Emergency Communications District's investment in capital assets from its activities at June 30, 2011, amounts to $156,964 (net or accumulated depreciation). This investment in capital assets is in communications equipment.

Trousdale County Emergency Communications District's Capital Assets

		2010	2011
Communications equipment		286,286	286,286
Less accumulated depreciation		(100,463)	(129,322)
Net Capital Assets	$	185,823	156,964

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

Requests for Information

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

Mark Beeler
Trousdale County Emergency Communications District

FINANCIAL STATEMENTS

TROUSDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Net Assets

June 30, 2011

Assets	Account Number	
Current Assets:		
Cash and cash equivalents	1001	$457,714
Certificate of deposits	1001	250,000
Accounts receivable	1004	2,009
Total Current Assets		709,723
Capital Assets:		
Communication equipment	1308	286,286
Less accumulated depreciation - Comm. equipment	1311	(129,322)
Total Capital Assets, Net		156,964
Total Assets		$866,687
Liabilities and Fund Equity		
Current Liabilities		
Accounts payable	2001	2,897
Total Current Liabilities		2,897
Net Assets:		
Unrestriced	2320	706,826
Invested in capital assets	2301	156,964
Total Net assets		863,790

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

TROUSDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2011

	Account Number	
Operating Revenues:		
Emergency Telephone Service Charge	3001	$23,413
State Emergency Communications Board Wireless Charge	3002	143,055
TECB - Operational Funding	3003	18,000
Total Operating Revenues		184,468
Operating Expenses:		
Addressing and mapping	4201	41,017
Dispatchers	4003	2,000
Fees and licenses	4413	100
Depreciation	4500	28,859
Office supplies	4301	2,375
Professional services	4203	1,300
Training	4418	2,911
Insurance	4409	2,931
Repair and maintenance	4232	2,375
Total Operating Expenses		83,868
Operating income (loss)		100,600
Nonoperating Revenues (Expenses):		
Interest income	5002	6,385
Total Nonoperating Revenues (Expenses)		6,385
Operating grant - State Emergency Communications Board	3103	136,434
Net change in net assets		243,419
Net assets, June 30, 2010		620,371
Net assets, June 30, 2011		$863,790

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

TROUSDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Cash Flows

For the Year Ending June 30, 2011

Cash Flows from Operating Activities:	
Cash received from customers	$184,468
Cash paid to suppliers	(55,009)
Net Cash Provided by Operating Activities	129,459
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	0
Net Cash Provided by Capital and Related Financing Activities	0
Cash Flows from Non-Capital Activities:	
Grants	136,434
Net Cash From Non-Capital Activities	136,434
Cash Flows from Investing Activities:	
Interest income	6,385
Net Cash From Investing Activities	6,385
Net Increase in Cash	272,278
Cash and Cash Equivalents, June 30, 2010	185,436
Cash and Cash Equivalents, June 30, 2011	$457,714

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	$100,600
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	28,859
Net Cash Provided by Operating Activities	$129,459

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Accounting

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

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

Cash and Cash Equivalents

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

Supply Inventory

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

Property, Plant and Equipment

Property, plant and equipment of the District is recorded at cost. Depreciation is computed over the estimated life of the assets using the straight-line method. The estimated life for property, plant and equipment in service is from 5 to 10 years. The District capitalizes interest incurred on construction projects.

Estimates

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The District's annual budget is required by state law. The District's Board of Directors formally approve the budget. The budget is adopted on a basis consistent with generally accepted accounting principles.

Note 2 - CASH AND CERTIFICATES OF DEPOSIT

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

Note 3 - PROPERTY, PLANT AND EQUIPMENT

A summary of changes in property, plant and equipment in service is as follows:

	Balance 6-30-10	Additions	Disposals	Balance 6-30-11
Equipment	$ 286,286	-	-	286,286
Less accumulated depreciation	100,463			129,322
Utility plant - net	$ 185,823			156,964

Note 4 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets: errors and omissions, and natural disasters. The District purchases commercial financial bonded insurance for its officials. For all other risks, the District purchases commercial insurance. There have been no claims during the last three years.

Note 5 - SERVICE ARRANGEMENT CONTRACT AND ECONOMIC DEPENDENCE

The District negotiated a service application with Bell South for the installation and service of an Enhanced 911 Emergency Service System. Bell South furnishes equipment and service sufficient to operate the system for an initial installation fee and a monthly fee based upon the number of telephone stations and access lines served by the system.

Note 6 - RELATED PARTY TRANSACTIONS

The District contracted with the Trousdale County Building Inspector to do the current addressing. The contract is with the inspector personally; however, he received the contract based on his employment with Trousdale County. The contract was for the amount of $5,100 a year. The payments are made to the inspector directly and are not transactions with the County.

Note 7 - DONATED SERVICES

The Hartsville/Trousdale County Sheriff Department provides dispatch services for the District. Amounts have not been assigned for these services because it is impractical to allocate the hours of each employee.

SUPPLEMENTAL INFORMATION

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

TROUSDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Revenues and Expenses
Budget and Actual

For the Year Ended June 30, 2011

	Number	Budget	Actual	Favorable (Unfavorable) Variance
Operating Revenues:				
Emergency Telephone Service Charge	3001	$32,100	$23,413	($8,687)
State Emergency Communications Board Wireless Charge	3002	0	143,055	143,055
TECB - Operational Funding	3003	34,000	18,000	(16,000)
Total Operating Revenues		66,100	184,468	118,368
Operating Expenses:				
Addressing and mapping	4201	46,800	41,017	5,783
Dispatchers	4003	2,500	2,000	500
Fees and licenses	4413	500	100	400
Depreciation	4500	0	28,859	(28,859)
Office supplies	4301	500	2,375	(1,875)
Professional services	4203	9,200	1,300	7,900
Training	4418	9,500	2,911	6,589
Insurance	4409	800	2,931	(2,131)
Repair and maintenance	4232	25,250	2,375	22,875
Total Operating Expenses		95,050	83,868	11,182
Operating income (loss)		(28,950)	100,600	129,550
Nonoperating Revenues (Expenses):				
Interest income	5002	3,750	6,385	2,635
Total Nonoperating Revenues (Expenses)		3,750	6,385	2,635
Operating grant - State Emergency Communications Board	3003	25,200	136,434	111,234
Net change in net assets		0	243,419	243,419

TROUSDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Monthly Rates in Effect

June 30, 2011

Type of Customer	Rate
Residential customers	$ 0.65
Business customers	$ 2.00

TROUSDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Number and Classification of Customers

June 30, 2011

All Telephone Companies

Residential customers	2,985
Business customers	598

TROUSDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of State Financial Assistance

For the Year Ended June 30, 2011

State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance July 1, 2010	Cash Receipts	Other Receipts	Cash Expenditures	Receivable (Deferred) Balance June 30, 2011
State Program:							
N/A	Training grant	State of Tennessee Emergency Communications District	$0	8,000	0	8,000	0
N/A	Next Generation 911	State of Tennessee Emergency Communications District	$0	136,434	0	136,434	0
N/A	GIS Mapping Maintenance	State of Tennessee Emergency Communications District	$0	10,000	0	10,000	0
		Total	0	154,434	0	154,434	0

TROUSDALE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Insurance Coverage

June 30, 2011

Type of Coverage	Detail Coverage
Liability	$ 1,000,000 maximum
Property	various
Directors and officers	$ 1,000,000 maximum
Surety	$10,000

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

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

Board of Directors
Trousdale County Emergency Communications District
Hartsville, Tennessee

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

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

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a material weakness (2001-1 Lack of segregation of Duties).

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described below (2001-1) to be a material weakness.

The material weakness is as follows:

2001-1 Separation of Duties

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

Management Response:

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

Compliance and Other Matters

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

I noted certain matters that I reported to management of the Trousdale County Emergency Communications District in a separate letter dated November 30, 2011.

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

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

Jodi K Poole, CPA

November 30, 2011