

**FAYETTE COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2013

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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INTRODUCTORY SECTION

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OFFICIALS
June 30, 2013**

Connie Doyle, Chairman
Ray Seals, Co-Chairman
Danny Daniel, Secretary
Will Bowling
Bobby Riles
Tom Day
Patricia Bryan
Jean Watkins
Jeff Whitehorn

Management Official

Carolann Mason, Executive Director

Independent Certified Public Accountants

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

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American Institute of Certified Public Accountants
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Independent Auditor's Report

Board of Directors
Fayette County Emergency Communications District
Somerville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Fayette County Emergency Communications District, a component unit of Fayette County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fayette County Emergency Communications District, as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 4-7 and 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fayette County Emergency Communication District's basic financial statements. The schedule of officials and the budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of officials 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2013 on our consideration of the Fayette 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fayette County Emergency Communications District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Alexander Thompson" followed by a stylized flourish.

Jackson, Tennessee
October 9, 2013

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, 2013. 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 \$2.02 million and exceeded liabilities in the amount of \$2.02 million (i.e. net position).
- Net position increased \$337 thousand during the current year.
- During fiscal year 2013, the District's Public Service Answering Points answered a total of 16,285 calls. The estimated 911 call volume total for 2012 was 17,572.
- Operating revenues were \$582 thousand, an increase from year 2012 in the amount of \$44 thousand or 8.28%.
- Operating expenses were \$481 thousand, an increase from year 2012 in the amount of \$56 thousand or 13.25%.
- The operating income for the year was \$101 thousand as compared to a \$113 thousand during the 2012 fiscal year.
- The ratio of operating income to total operating revenue was 1:6 for 2013 and 1:5 for 2012.

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 and other 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 supplementary and other 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 supplementary and other 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 Position* presents the financial position of the District on a full accrual, historical cost basis. The statement of net position includes all of the District's assets, liabilities and deferred

inflows/outflows of resources, with the difference reported as net position. 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 Position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position 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 Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and the changes in the net position. Net position is one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net position 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 position increased by \$337 thousand for the fiscal year ended June 30, 2013. The analysis on the following page focuses on the District's net position (Table 1) and changes in net position (Table 2) during the year.

**TABLE 1
CONDENSED STATEMENT OF NET POSITION**

	June 30, 2013	June 30, 2012	Increase (Decrease)	
			\$	%
Current and other assets	\$ 1,466,719	\$ 1,266,405	\$ 200,314	15.82%
Capital assets	556,625	418,147	138,478	33.12%
Total assets	<u>2,023,344</u>	<u>1,684,552</u>	<u>338,792</u>	20.11%
Total liabilities	<u>4,009</u>	<u>1,925</u>	<u>2,084</u>	108.26%
Investment in capital assets	556,625	418,147	138,478	33.12%
Unrestricted net assets	<u>1,462,710</u>	<u>1,264,480</u>	<u>198,230</u>	15.68%
Total net position	<u>\$ 2,019,335</u>	<u>\$ 1,682,627</u>	<u>\$ 336,708</u>	20.01%

The increase in capital assets is due to the purchase of new equipment during the current year. The increase in current and other assets was due to an increase in cash during the year, resulting in an overall increase in net position for the year.

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

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

	June 30, 2013	June 30, 2012	Increase (Decrease)	
			\$	%
Operating revenues	\$ 581,639	\$ 537,174	\$ 44,465	8.28%
Non-operating revenues	7,712	26,285	(18,573)	-70.66%
Total revenues	589,351	563,459	25,892	4.60%
Salaries and wages	62,864	64,149	(1,285)	-2.00%
Employee benefits	17,483	17,291	192	1.11%
Contracted services	269,082	236,404	32,678	13.82%
Supplies and materials	25,359	8,903	16,456	184.84%
Other charges	33,963	34,342	(379)	-1.10%
Depreciation & Amortization	72,124	63,512	8,612	13.56%
Non-operating expenses	1,870	-	1,870	100.00%
Total expenses	482,745	424,601	58,144	13.69%
Income before capital contributions	106,606	138,858	(32,252)	-23.23%
Capital contributions from TECB	230,102	-	230,102	100.00%
Change in net position	336,708	138,858	197,850	100.00%
Beginning net position	1,682,627	1,543,769	138,858	8.99%
Ending net position	\$ 2,019,335	\$ 1,682,627	336,708	20.01%

Operating revenues showed an 8.28% increase from 2012 to 2013. Expenses increased from 2012 to 2013 by a total of 13.69%.

CAPITAL ASSETS

At the end of fiscal year 2013, the system had \$557 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. The investment represents an overall increase (net of increases and decreases) of \$138 thousand or 33.12% over last year.

The following tables summarize the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2013. These changes are presented in detail in Note 3 to the financial statements.

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

	June 30,	June 30,	Increase (Decrease)	
	2013	2012	\$	%
Furniture and fixtures	\$ -	\$ 464	\$ (464)	-100.00%
Office equipment	26,165	32,318	(6,153)	-19.04%
Communication equipment	530,460	385,365	145,095	37.65%
Vehicles	-	-	-	0.00%
Total capital assets, net of accumulated depreciation	<u>\$ 556,625</u>	<u>\$ 418,147</u>	<u>\$ 138,478</u>	33.12%

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 State of TN's NG911 system in the final stages of completion, the district will continue to work on moving forward to improve the quality and efficiency of the 9-1-1 system in Fayette County. The 9-1-1 board will continue to manage its funds wisely and to budget accordingly in order to continue the growth of the 9-1-1 system to meet the citizens needs in the county.

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 POSITION
June 30, 2013

Assets

Current assets

Cash and cash equivalents	\$ 1,159,075
Investments	266,185
Accrued interest receivable	290
Accounts receivable	16,417
Prepaid expenses	<u>24,752</u>
Total current assets	<u>1,466,719</u>

Noncurrent assets

Capital assets

Furniture and fixtures	7,718
Office equipment	50,306
Communication equipment	850,060
Vehicles	<u>22,415</u>
Total capital assets	930,499
Less accumulated depreciation	<u>(373,874)</u>
Net capital assets	556,625
Total assets	<u>2,023,344</u>

Liabilities

Current liabilities

Accounts payable	2,025
Compensated absences payable	<u>1,984</u>
Total current liabilities	<u>4,009</u>

Net Position

Investment in capital assets	556,625
Unrestricted net assets	<u>1,462,710</u>
Total net position	<u>\$ 2,019,335</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 POSITION
For the Year Ended June 30, 2013

Operating Revenues

Emergency telephone service charge	\$ 205,592
Tennessee Emergency Communications Board - shared wireless charge	61,487
Tennessee Emergency Communications Board - operational funding	<u>314,560</u>
Total operating revenues	<u>581,639</u>

Operating expenses

Salaries and wages	
Director	46,938
Administrative personnel	15,126
Pay bonuses - longevity	<u>800</u>
Total salaries and wages	<u>62,864</u>

Employee benefits

Social security	3,894
Medicare	911
Medical insurance	6,884
Unemployment compensation	60
Employee retirement	<u>5,734</u>
Total employee benefits	<u>17,483</u>

Contracted services

Mapping	25,538
Audit services	4,420
Impact fee	146,600
Legal services	94
Maintenance and repairs:	
Communications equipment	63,131
Viper CAD	13,824
Office equipment	636
GIS maintenance	11,776
Vehicles	204
Fuel	2,784
Language line	<u>75</u>
Total contracted services	<u>\$ 269,082</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 POSITION
For the Year Ended June 30, 2013

Supplies and materials	
Supplies and materials	\$ 416
Office supplies	2,912
Furniture and fixtures	300
Postage	157
General telephone	18,859
Cell phones and pager	1,188
Internet charges	<u>1,527</u>
Total supplies and materials	<u>25,359</u>
Other charges	
Board meeting expenses	49
Dues and subscriptions	706
Workers' compensation	379
Insurance - liability	10,363
Legal notices	198
Premium on surety bonds	563
Public education	1,767
Training expenses	2,559
Training and dispatch	12,000
Travel expenses	3,931
Miscellaneous expense	<u>1,448</u>
Total other charges	<u>33,963</u>
Depreciation	
Depreciation expense	<u>72,124</u>
Total operating expenses	<u>480,875</u>
Operating income	<u>100,764</u>
Non-operating revenues (expenses)	
Interest income	972
Investment income	6,740
Loss on sale of assets	<u>(1,870)</u>
Total non-operating revenues (expenses)	<u>5,842</u>
Income before capital contributions	106,606
Capital Contributions	
Capital contributions from TECB	<u>230,102</u>
Change in net position	336,708
Net position - July 1, 2012	<u>1,682,627</u>
Net position - June 30, 2013	<u>\$ 2,019,335</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, 2013

Cash flows from operating activities

Cash received from surcharges and other revenues	\$ 584,121
Cash paid to suppliers of goods and services	(308,541)
Cash paid for employees' services and benefits	<u>(80,347)</u>
Net cash provided (used for) by operating activities	<u>195,233</u>

Cash flows from capital and related financing activities

Capital contributions	230,102
Acquisition of capital assets	<u>(212,471)</u>
Net cash provided by (used for) capital and related financing activities	<u>17,631</u>

Cash flows from investing activities

Purchase of investments	(266,185)
Sale of investments	113,444
Interest received	<u>7,769</u>
Net cash provided by (used for) investing activities	<u>(144,972)</u>

Net increase in cash **67,892**

Cash and cash equivalents - July 1, 2012	<u>1,091,183</u>
Cash and cash equivalents - June 30, 2013	<u>\$ 1,159,075</u>

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

Operating income	\$ 100,764
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Depreciation	72,124
Changes in assets and liabilities	
Accounts receivable	2,482
Prepaid expenses	17,779
Accounts payable	2,025
Compensated absences payable	<u>59</u>

Net cash provided by operating activities **\$ 195,233**

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

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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.

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

The District is accounted for as a single enterprise fund as prescribed by the State. Enterprise funds are a type of proprietary fund, and as such, are reported in accordance with generally accepted accounting principles for proprietary funds as defined by the *Governmental Audit Standards Board* (GASB). Proprietary fund types are reported using the economic resources measurement focus and the accrual basis of accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entities net position. The accrual basis of accounting recognizes income as it is earned and expenses as they are incurred, whether or not cash is received or paid out at that time.

Operating revenues in proprietary funds are those revenues generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. The State has defined grants and reimbursements from TECB to be 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.

C. Assets, Liabilities, and Net Position

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. Investments consist of certificates of deposit.

Accounts Receivable

Accounts receivable represents amounts due from telephone companies for user fees, and amounts due from local customers for dispatch services.

Prepaid Expenses

Prepaid expenses represent amounts paid for insurance and maintenance contracts for terms covering future years.

Capital Assets

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 district considers capitalization of any purchase over a threshold of \$10,000 with an estimated useful life 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 \$1,984.

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.

Deferred Outflows/Inflows of Resources

During the year ended June 30, 2013, the district adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of the statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category as of June 30, 2013.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Districts policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net Position

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

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

- Investment 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. As of June 30, 2013, the District had no debt.
- Restricted – net position when constraints are placed on their use by external third parties or imposed by law
- Unrestricted – all other net position that do not meet the definition of the other categories.

Impact of Other Recently Issued Accounting Pronouncements

In December 2010, the GASB issued Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements. GASB 62 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1969, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the Districts financial statements

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The District's Board of Directors approves an appropriate 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 capital 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. For the year ended June 30, 2013, the following line items exceeded budgeted amounts: Medical insurance by \$34, supplies and materials by \$416, postage by \$2, and internet by \$27.

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 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, and the state pooled investment fund. 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, 2013, all deposits were fully collateralized or insured.

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

B. Capital Assets

Capital asset activity for the year was as follows:

Description	Balance 7/1/12	Additions	Retirements	Balance 6/30/13
Capital assets, being depreciated				
Furniture and fixtures	\$ 8,627	\$ -	\$ 909	\$ 7,718
Office equipment	58,957	776	9,427	50,306
Communication equipment	638,365	211,695	-	850,060
Vehicles	22,415	-	-	22,415
Total capital assets being depreciated	<u>728,364</u>	<u>212,471</u>	<u>10,336</u>	<u>930,499</u>
Less accumulated depreciation				
Furniture and fixtures	8,163	464	909	7,718
Office equipment	26,639	5,060	7,558	24,141
Communication equipment	253,000	66,600	-	319,600
Vehicles	22,415	-	-	22,415
Total accumulated depreciation	<u>310,217</u>	<u>72,124</u>	<u>8,467</u>	<u>373,874</u>
Total capital assets, net	<u>\$ 418,147</u>	<u>\$ 140,347</u>	<u>\$ 1,869</u>	<u>\$ 556,625</u>

NOTE 4 – OTHER INFORMATION

A. 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.

B. Funding Sources

Funds for operations are provided by monthly fees from service users in Fayette County and also by the Tennessee Emergency Communications Board. Major 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 and voice over internet protocol charges based on the District's population.

C. 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

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

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 Emergency Communications 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 <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, 2013 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, 2013, the District's annual pension cost of \$5,734 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 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 20 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Fiscal Year Ending	Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 5,805	100%	\$ -
June 30, 2011	\$ 5,393	100%	\$ -
June 30, 2010	\$ 3,851	100%	\$ -

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Funding Status and Funding Progress: As of July 1, 2011, the most recent actuarial valuation date available, the plan was 69.83 percent funded. The actuarial accrued liability for benefits was \$0.06 million, and the actuarial value of assets was \$0.05 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.02 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.04 million, and the ratio of the UAAL to the covered payroll was 43.70 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.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$ 45,000	\$ 65,000	\$ 20,000	69.83%	\$ 45,000	43.70%
July 1, 2009	\$ 26,000	\$ 51,000	\$ 24,000	51.95%	\$ 42,000	58.81%
July 1, 2007	\$ 18,000	\$ 39,000	\$ 21,000	46.15%	\$ 55,000	38.18%

D. 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 capital assets. Settled claims have not exceeded this commercial coverage or in any coverage of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$ 45,000	\$ 65,000	\$ 20,000	69.83%	\$ 45,000	43.70%
July 1, 2009	\$ 26,000	\$ 51,000	\$ 24,000	51.95%	\$ 42,000	58.81%
July 1, 2007	\$ 18,000	\$ 39,000	\$ 21,000	46.15%	\$ 55,000	38.18%

See independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

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

For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash receipts				
Emergency telephone service charge	\$ 226,400	\$ 226,400	\$ 208,075	\$ (18,325)
TECB - shared wireless charge	80,000	80,000	61,487	(18,513)
TECB - operational funding	<u>200,000</u>	<u>200,000</u>	<u>544,662</u>	<u>344,662</u>
Total cash basis revenues	<u>506,400</u>	<u>506,400</u>	<u>814,224</u>	<u>307,824</u>
Cash expenditures				
Salaries and wages				
Director	46,880	46,880	46,880	0
Administrative personnel	16,224	16,224	15,126	(1,099)
Bonus	<u>800</u>	<u>800</u>	<u>800</u>	<u>-</u>
Total salaries and wages	<u>63,904</u>	<u>63,904</u>	<u>62,806</u>	<u>(1,098)</u>
Employee benefits				
Social security	3,963	3,963	3,894	(69)
Medicare	927	927	911	(16)
Medical insurance	6,850	6,850	6,884	34
Unemployment premiums	400	400	60	(340)
Retirement contributions	<u>5,900</u>	<u>5,900</u>	<u>5,734</u>	<u>(166)</u>
Total employee benefits	<u>18,040</u>	<u>18,040</u>	<u>17,483</u>	<u>(557)</u>
Contracted services				
Mapping	1,000	25,600	25,538	(62)
Advertising	300	300	-	(300)
Audit services	4,500	4,500	4,420	(80)
Accounting services	200	200	-	(200)
Impact fee	147,000	147,000	146,600	(400)
Legal services	300	300	94	(206)
Maintenance and repairs:				
Communications equipment	79,000	79,000	48,961	(30,039)
Viper CAD	13,824	13,824	13,824	-
GIS maintenance	12,570	12,570	8,168	(4,403)
Office equipment	1,500	1,500	636	(864)
Vehicles	1,500	1,500	161	(1,339)
Fuel	3,500	3,500	2,784	(716)
Language line	<u>250</u>	<u>250</u>	<u>75</u>	<u>(175)</u>
Total contracted services	<u>265,444</u>	<u>290,044</u>	<u>251,261</u>	<u>(38,783)</u>

See independent auditor's report

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Supplies and materials				
Supplies and materials	\$ -	\$ -	\$ 416	\$ 416
Office supplies	1,500	4,000	2,912	(1,088)
Furniture & fixtures	2,000	2,000	300	(1,700)
Postage	150	155	157	2
Uniforms and shirts	500	500	-	(500)
Utilities:				
General telephone	4,000	19,000	18,859	(141)
Cell phones and pagers	1,200	1,200	1,188	(12)
Internet	<u>1,500</u>	<u>1,500</u>	<u>1,527</u>	<u>27</u>
Total supplies and materials	<u>10,850</u>	<u>28,355</u>	<u>25,360</u>	<u>(2,995)</u>
Other charges				
Bank charges	95	95	-	(95)
Board meeting expense	500	500	49	(451)
Dues and memberships	500	750	706	(44)
Insurance:				
Workman's compensation	450	450	379	(71)
Liability	15,000	15,000	10,363	(4,637)
Legal notices	250	250	198	(52)
Premiums on surety bonds	1,750	1,750	563	(1,187)
Public education	2,000	2,000	1,767	(233)
Training expenses	3,500	3,500	2,559	(941)
Training expenses-dispatchers	12,000	12,000	12,000	-
Travel expenses	6,000	6,000	3,931	(2,069)
Miscellaneous expenses	1,500	1,500	1,448	(52)
Reconciliation discrepancies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other charges	<u>43,545</u>	<u>43,795</u>	<u>33,963</u>	<u>(9,832)</u>
Total operating expenses	<u>401,783</u>	<u>444,138</u>	<u>390,873</u>	<u>(53,265)</u>
Cash basis operating income	<u>104,617</u>	<u>62,262</u>	<u>423,351</u>	<u>361,089</u>

See independent auditor's report

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Non-operating income				
Investment income	\$ 6,000	\$ 6,000	\$ 6,798	\$ 798
Interest income	3,500	3,500	972	(2,528)
Total non-operating income	9,500	9,500	7,770	(1,730)
Cash basis net income	\$ 114,117	\$ 71,762	\$ 431,121	\$ 359,359
Reconciliation of cash basis to accrual basis				
Depreciation expense			(72,124)	
Disposal of assets			(1,911)	
Accrued interest receivable			(58)	
Current receivables			(2,482)	
Prepaid expense			(17,779)	
Compensated absences payable			(59)	
Net reconciliation cash to accrual			(94,413)	
Increase in net position (accrual)			\$ 336,708	

See the independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



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Independent Auditor's 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, in accordance with the 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, the financial statements of Fayette County Emergency Communications District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Fayette County Emergency Communications District's basic financial statements, and have issued our report thereon dated October 9, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fayette County Emergency Communications District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fayette County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Fayette County Emergency Communications District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fayette County Emergency Communications District's financial statements are free from 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 October 9, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Wade Thompson" followed by a flourish.

Jackson, Tennessee
October 9, 2013

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2013**

Prior Year Findings

There were no prior year findings reported.

Current Year Findings

There are no current year findings reported.