

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT

JUNE 30, 2009

Report  
of  
Examination

## C O N T E N T S

|                                                                                                                                                                                                                                | <u>Pages</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Independent Auditor's Report                                                                                                                                                                                                   | 1 - 2        |
| Management's Discussion and Analysis                                                                                                                                                                                           | 3 - 6        |
| Financial Statements                                                                                                                                                                                                           |              |
| Statement of Net Assets                                                                                                                                                                                                        | 7            |
| Statement of Revenues, Expenses, and Changes<br>in Net Assets                                                                                                                                                                  | 8            |
| Statement of Cash Flows                                                                                                                                                                                                        | 9            |
| Notes to Financial Statements                                                                                                                                                                                                  | 10 - 13      |
| Supplemental Information                                                                                                                                                                                                       |              |
| Budgetary Comparison Schedule                                                                                                                                                                                                  | 14           |
| Reconciliation of Cash Basis Actual to GAAP<br>Basis Financial Statements                                                                                                                                                      | 15           |
| Roster of Board Members                                                                                                                                                                                                        | 16           |
| Schedule of Information Required by the<br>Tennessee Emergency Communications Board                                                                                                                                            | 17           |
| Independent Auditor's Report on Internal Control Over<br>Financial Reporting and on Compliance and Other<br>Matters Based on an Audit of Financial Statements<br>Performed in Accordance with Government Auditing<br>Standards | 18 - 19      |
| Schedule of Findings                                                                                                                                                                                                           | 20 - 21      |

# PARSONS AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

234 4<sup>th</sup> Avenue North

P. O. BOX 604

FRANKLIN, TENNESSEE 37065

TELEPHONE # 615-794-4313

FAX # 615-595-2297

DAN H. PARSONS, CPA  
PATRICIA L. PARSONS, CPA

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

December 21, 2009

To the Board of Directors  
Marshall County Emergency Communication District  
Lewisburg, Tennessee

We have audited the accompanying financial statements of Marshall County Emergency Communications District, a component unit of Marshall County, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also 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 the Marshall County Emergency Communication District as of June 30, 2009, and the results of its operations and cash flows of its proprietary fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2009, on our consideration of Marshall County Emergency Communication District's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Marshall County Emergency Communication District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Parsons and Associates*

Parsons and Associates

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Our discussion and analysis of the Marshall County Emergency Communication District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the District's financial statements.

**FINANCIAL HIGHLIGHTS**

The District's ongoing sources of revenue are telephone service charges and interest. This revenue totaled approximately \$492,275 in 2009 representing a 14% increase over 2008. Total expenses were approximately \$336,270 for the year, which was a 30% increase over 2008. The District continued to upgrade its communications equipment with \$62,821 spent on equipment purchases in 2009. Additional equipment is being leased at a cost, in 2009, of \$78,586.

**OVERVIEW OF FINANCIAL STATEMENTS**

The District's financial statements are comprised of three parts: 1) management's discussion and analysis 2) the basic financial statements, and 3) a supplemental section that presents detailed summaries and schedules of selected financial data. Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the supplemental information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the financial section.

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance.

The basic financial statements provide financial information about the District's operations presented in the same format as a commercial enterprise. These statements report information about the District using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the assets and liabilities, both financial and capital, and short-term and long-term are included. Likewise, all revenues earned and expenses incurred during the year, regardless of when cash is received or paid, are reported.

The basic financial statements of the District include a statement of net assets, a statement of revenues, expenses, and changes in net assets, a statement of cash flows, and notes to the financial statements, which are described as follows:

- The statement of net assets presents the financial position of the District on a full accrual, historical cost basis. This statement provides information about the nature and amount of resources and obligations at year-end.

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

- The statement of revenues, expenses, and changes in net assets presents the results of the business activities over the course of the fiscal year and information as to how the fund equity changed during the year.
- The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, capital and related financing, and investing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.
- 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 significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The supplementary information presented by the District includes comparisons of budget to actual revenue and expenses and schedules required to be presented or considered useful to the readers of the financial statements.

**FINANCIAL ANALYSIS**

The District's net assets were \$1,236,933 at June 30, 2009. Of this amount \$385,293 was invested in capital assets and \$851,640 was unrestricted.

Table 1  
Condensed Summary of Net Assets  
June 30, 2009

|                                                 |                     |
|-------------------------------------------------|---------------------|
| Current assets                                  | \$ 852,746          |
| Capital assets, net                             | <u>385,293</u>      |
| Total Assets                                    | \$ <u>1,238,039</u> |
|                                                 |                     |
| Current liabilities                             | \$ 1,106            |
| Long-term liabilities                           | <u>0</u>            |
| Total Liabilities                               | <u>1,106</u>        |
|                                                 |                     |
| Net Assets                                      |                     |
| Invested in capital assets, net of related debt | 385,293             |
| Unrestricted                                    | <u>851,640</u>      |
| Total Net Assets                                | <u>1,236,933</u>    |
|                                                 |                     |
| Total Liabilities and Net Assets                | \$ <u>1,238,039</u> |

The \$182,813 increase in current assets is primarily attributable to a \$(440,020) decrease in cash, a \$591,909 increase in investments, a \$5,354 increase in prepaid expense and a \$14,064 increase in accounts receivable and interest receivable. The decrease in capital assets of \$25,702 was due to assets purchased during the year less asset retirements of equipment no longer serviceable less depreciation taken.

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**Table 2  
Condensed Summary of Changes in Net Assets  
Year Ended June 30, 2009**

|                                         |                       |
|-----------------------------------------|-----------------------|
| Revenues:                               |                       |
| Operating revenues                      |                       |
| Telephone service charges               | \$ 401,954            |
| Non-operating revenues                  |                       |
| Interest earnings                       | 7,593                 |
| Capital grant                           | 82,301                |
| Miscellaneous income                    | 59                    |
| Gain on asset disposition               | 368                   |
| <br>Total Revenues                      | <br><u>492,275</u>    |
| Operating Expenses:                     |                       |
| Telephone                               | 34,394                |
| Administrative salary and payroll taxes | 14,264                |
| Dispatcher                              | 30,000                |
| Service contracts                       | 18,985                |
| Occupancy costs                         | 8,160                 |
| Ordinary maintenance and operations     | 7,561                 |
| Professional services                   | 15,500                |
| Other                                   | 122,764               |
| Depreciation                            | 84,642                |
| <br>Total Expenses                      | <br><u>336,270</u>    |
| <br>Increase (Decrease) in Net Assets   | <br>\$ <u>156,005</u> |

Operating revenues are derived primarily from phone service providers based on fixed fees on their customers. As the fees have remained constant for several years this is generally a stable revenue source. This year increased due to an increase in the amount received from the State Emergency Communications Board for operating expenses.

Expenses increased \$76,640, which was reflected in the original operating budget. In June, Marshall County Emergency Communication District paid \$30,000 to the City of Lewisburg to help defray the cost of the dispatch supervisor.

**BUDGETARY HIGHLIGHTS**

The District adopts annual operating and capital budgets outlining the estimated expenditures for programs and projects authorized by the District's board on a cash basis. There were revisions made to the 2009 budget as the need arose for adjustments.

For the year 2009, the District's operating budget was amended to equal the actual operating expenses at year end.

For 2009 capital expenditures were equal to the adopted budget.

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**CAPITAL ASSETS AND RELATED FUNDING**

Capital Assets

At June 30, 2009 the District had \$385,293 invested in office and communications equipment, and a tower. This amount represents a net decrease (considering additions, deletions, and depreciation) of \$25,702 of last year.

Capital Assets at Year-end

|                                    |                   |
|------------------------------------|-------------------|
| Communications equipment and tower | \$ 1,000,207      |
| Accumulated depreciation           | ( 614,914)        |
| Total                              | \$ <u>385,293</u> |

This year's additions of \$62,821 represented the addition of small office and communications equipment. Assets retired of \$8,070 were old equipment which were scrapped.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

As noted earlier the District's primary source of revenue is telephone service fees which were increased in 2005. The increase in service fee rates was in effect through June 2009. There were no rate increases in the 2009 year.

The Tennessee Emergency Commission expects to provide additional operational funding to the Emergency Communication Districts in Tennessee in the later part of fiscal 2010.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide citizens and rate payers a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Linda Haislip, Administrative Assistant, at the Marshall County Emergency Communication District, PO Box 2786, Lewisburg, Tennessee 37091, telephone number (931)359-9911.

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
 PROPRIETARY FUND TYPE  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2009

ASSETS

Current Assets

|                                      |                |
|--------------------------------------|----------------|
| Cash and cash equivalents            | \$ 104,947     |
| Investments                          | 665,333        |
| Accrued interest receivable          | 1,429          |
| Accounts receivable                  | 36,112         |
| Due from State Emergency Comm. Board | 22,278         |
| Prepaid expense                      | 22,647         |
| <u>Total Current Assets</u>          | <u>852,746</u> |

Capital Assets

|                             |                  |
|-----------------------------|------------------|
| Furniture and fixtures      | 56,116           |
| Communications equipment    | 582,141          |
| Office equipment            | 8,003            |
| Other fixed assets          | 353,947          |
| <u>Total Capital Assets</u> | <u>1,000,207</u> |
| Accumulated depreciation    | ( 614,914)       |
| <u>Capital Assets, net</u>  | <u>385,293</u>   |

|                     |                     |
|---------------------|---------------------|
| <u>TOTAL ASSETS</u> | <u>\$ 1,238,039</u> |
|---------------------|---------------------|

LIABILITIES

Current Liabilities

|                                  |              |
|----------------------------------|--------------|
| Accounts payable                 | \$ 1,106     |
| <u>Total Current Liabilities</u> | <u>1,106</u> |

Net Assets

|                                                 |                  |
|-------------------------------------------------|------------------|
| Invested in capital assets, net of related debt | 385,293          |
| Unrestricted net assets                         | 851,640          |
| <u>Total Net Assets</u>                         | <u>1,236,933</u> |

|                          |                     |
|--------------------------|---------------------|
| <u>TOTAL LIABILITIES</u> | <u>\$ 1,238,039</u> |
|--------------------------|---------------------|

See notes to financial statements.

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**PROPRIETARY FUND TYPE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2009**

Operating Revenues

|                                                    |                |
|----------------------------------------------------|----------------|
| Emergency telephone service charges                | \$ 263,695     |
| State Emergency Comm. Board-shared wireless charge | 66,452         |
| State Emergency Comm. Board-operational funding    | <u>71,807</u>  |
| <u>Total Operating Revenues</u>                    | <u>401,954</u> |

Operating Expenses

|                                                  |                |
|--------------------------------------------------|----------------|
| Salaries and Wages                               |                |
| ADDR Coordinator                                 | 13,240         |
| Supervisor-dispatcher                            | 30,000         |
| Employee Benefits                                |                |
| Social Security                                  | 821            |
| Medicare                                         | 192            |
| Unemployment insurance                           | 11             |
| Contracted Services                              |                |
| Advertising                                      | 69             |
| Audit services                                   | 6,500          |
| Legal services                                   | 9,000          |
| Lease/rental-communications equipment            | 78,586         |
| Lease/rental-buildings and facilities            | 2,000          |
| Maintenance and repairs-communications equipment | 26,546         |
| Other consultants                                | 10,436         |
| Supplies and Materials                           |                |
| Office supplies                                  | 223            |
| Postage                                          | 462            |
| Utilities-General Telephone                      | 34,394         |
| Other Charges                                    |                |
| Board meeting expenses                           | 387            |
| Dues and memberships                             | 228            |
| Insurance-liability                              | 6,160          |
| Insurance-vehicle                                | 223            |
| Premiums on surety bonds                         | 770            |
| Training expenses                                | 10,886         |
| Travel expenses                                  | 16,652         |
| Small equipment purchases                        | 3,747          |
| Other                                            | 95             |
| Depreciation                                     | <u>84,642</u>  |
| <u>Total Operating Expenses</u>                  | <u>336,270</u> |

|                         |        |
|-------------------------|--------|
| <u>Operating Income</u> | 65,684 |
|-------------------------|--------|

Non-operating Income & Expenses

|                                      |               |
|--------------------------------------|---------------|
| Interest income                      | 7,593         |
| Miscellaneous income                 | 59            |
| Gain (loss) on disposition of assets | 368           |
| State Emergency Comm. Board-grant    | <u>82,301</u> |

|                   |                |
|-------------------|----------------|
| <u>Net Income</u> | <u>156,005</u> |
|-------------------|----------------|

|                                |           |
|--------------------------------|-----------|
| Net Assets - beginning of year | 1,080,928 |
|--------------------------------|-----------|

|                          |                     |
|--------------------------|---------------------|
| Net Assets - end of year | \$ <u>1,236,933</u> |
|--------------------------|---------------------|

See notes to financial statements.

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**PROPRIETARY FUND TYPE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

|                                                                      |                   |
|----------------------------------------------------------------------|-------------------|
| Cash flows from operating activities:                                |                   |
| Cash received for Emergency Telephone Service Charges                | \$ 251,561        |
| Cash received from State Emergency Communication Board               | 209,053           |
| Cash received from miscellaneous revenues                            | 6,166             |
| Cash payments to employees                                           | ( 43,240)         |
| Cash payments for goods and services                                 | <u>(213,235)</u>  |
| Net cash provided (used) by operating activities                     | <u>210,305</u>    |
| Cash flows from capital and related financing activities:            |                   |
| Acquisition of equipment                                             | ( 59,074)         |
| Net cash provided (used) by capital and related financing activities | <u>( 59,074)</u>  |
| Cash flows from investing activities:                                |                   |
| Increase in investment CD                                            | <u>(591,251)</u>  |
| Net cash provided (used) by investing activities                     | <u>(591,251)</u>  |
| Net increase (decrease) in cash                                      | (440,020)         |
| Cash and cash equivalents at June 30, 2008                           | 544,967           |
| Cash and cash equivalents at June 30, 2009                           | \$ <u>104,947</u> |

Reconciliation of Operating Income to Net Cash Flow from Operating Activities  
For the Year Ended June 30, 2009

|                                                  |                   |
|--------------------------------------------------|-------------------|
| Operating Income                                 | \$ 156,005        |
| Adjustment to Reconcile                          |                   |
| Depreciation                                     | 84,642            |
| Miscellaneous revenues                           | ( 39)             |
| (Increase) decrease in accounts receivable       | ( 12,635)         |
| (Increase) decrease in due from State ECB        | ( 11,507)         |
| (Increase) decrease in prepaid expenses          | ( 6,783)          |
| Increase (decrease) in accounts payable          | ( 484)            |
| Increase (decrease) in accrued payroll taxes     | 1,106             |
| Net Cash Provided (Used) by Operating Activities | \$ <u>210,305</u> |

See notes to financial statements.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**1. ORGANIZATION AND REPORTING ENTITY:**

The Marshall County Emergency Communication District (the "District") was organized under the *Tennessee Emergency Communication District Law* for the purpose of providing an emergency number to shorten the time required for residents of Marshall County, Tennessee to request emergency services. The District is governed by a board of directors appointed by the Board of Commissioners of Marshall County. The district is a component of Marshall County, but operates as a stand-alone operation. The District has to present its budget to the County Clerk for the County Commissioners, but the Commissioners do not approve the budget. The District must obtain County Commission approval before the issuance of most debt and the County Commission has the ability to adjust the District's service charges.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Policies** - The District has adopted the policy of following Governmental Accounting Standards Board (GASB) Statement No. 20 option number one in accordance with Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts. The District only follows GASB Standards issued subsequent to November 30, 1989. These financial statements have been presented in accordance with GASB Statement No. 34 and the format outlined in the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts.

**Method of Accounting** - The District keeps records and prepares its financial statements and budgets on the cash basis method of accounting. The accompanying financial statements are prepared on the accrual basis, whereby revenues are recognized when earned and measurable and expenses when incurred, if measurable. Revenues from telephone charges are recognized in the period they are earned by the phone service supplier. This is in accordance with policies set forth by the Governmental Accounting Standards Board, which the District is required to follow by the Tennessee Office of the Comptroller.

**Equipment** - The District's equipment is stated at cost and is depreciated on the straight-line method using an estimated useful life of five to ten years. Assets with a cost of \$2,500 or more are capitalized. Maintenance and repairs are charged to expenses as incurred.

**Cash and Cash Equivalents** - For the purpose of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less to be cash or cash equivalents.

**Operating and Non-operating Revenues** - Operating revenues are emergency telephone charges. Non-operating revenues include interest income and capital grant income.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**3. CASH AND CERTIFICATES OF DEPOSIT:**

All deposits with financial institutions must be secured by either FDIC deposit insurance or the depository bank must collateralize the deposits in excess of FDIC coverage. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the purposes of credit risk disclosure.

At June 30, 2009, the District's carrying amount of cash and certificates of deposit was \$770,280 while the banks' reported balance was \$770,280. Accounts are covered by either FDIC or NSUA up to \$250,000 at each institution. The uninsured balance as of June 30, 2009 was \$78,164.

**4. INVESTMENTS:**

The District is authorized to make direct investments in bonds, notes, or treasury bills of the U. S. Government and obligations guaranteed by the U. S. Government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. Longer investments may be made if various restrictions set out in state law are followed.

Investments at June 30, 2009 consist of certificates of deposit with maturities of six months. These investments are reported at fair value.

**5. CREDIT RISK**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments, as previously explained. The District has no investment policy that would further limit its investment choices. The District chooses to limit its investments to certificates of deposits in banks covered by FDIC insurance, NCUA insurance or which participate in the bank collateral pool.

MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

6. PREPAID LEASE

The District entered into an agreement with the City of Lewisburg, Tennessee, on October 10, 1996. The agreement is for (20) years and the consideration was \$2,000 per year, which could be paid in advance. The District paid the full \$40,000 in advance. The yearly cost is expensed to occupancy cost. The City will house #911 equipment and supply dispatchers trained to receive emergency phone calls and transfer those calls to the appropriate agency.

7. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

The following summaries changes in equipment and leasehold improvements for the year ended June 30, 2009:

|           | <u>06-30-08</u> | <u>Additions</u> | <u>Retirements</u> | <u>06-30-09</u> |
|-----------|-----------------|------------------|--------------------|-----------------|
| Equipment | \$ 949,203      | \$ 59,074        | \$ ( 8,070)        | \$ 1,000,207    |

Accumulated depreciation for the year ended June 30, 2009 is as follows:

|           | <u>06-30-08</u> | <u>Additions</u> | <u>Retirements</u> | <u>06-30-09</u> |
|-----------|-----------------|------------------|--------------------|-----------------|
| Equipment | \$ 538,208      | \$ 84,642        | \$ ( 7,936)        | \$ 614,914      |

8. ACCOUNTS RECEIVABLE

The accounts receivable consists of amounts due from the various telephone companies for emergency telephone surcharges collected prior to year-end and not remitted until after June 30, 2009.

9. RISK FINANCING AND RELATED INSURANCE ISSUES:

The District's liability is limited. The board/ management is covered by a management liability policy. The District also holds three statutory bonds on the Chairman, Secretary/Treasurer and the Addressing Coordinator/Bookkeeper. The District carries a business auto liability policy and a commercial package policy to cover property, etc. The District only furnishes equipment to the City or County agencies. Neither the City nor the District assumes any liability for any agency's failure to equip, staff or train their agency or personnel. The District operates as a support unit for these agencies. The District has not experienced any claims or losses in the prior seven years.

10. BUDGETS AND BUDGETARY ACCOUNTING:

An operating budget is legally required to be adopted each year for the purpose of controlling the expenditures on a line item level of control. The budgets are prepared and maintained on the cash basis. Amendments are made when

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

considered necessary. The District adopted a budget at the beginning of the year and made appropriate amendments as needed during the year so that the final budget equaled the actual revenues and expenditures at year end.

**11. SUBSEQUENT EVENTS**

There have been no events occurring subsequent to financial statement date that require disclosure.

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2009**

|                                                                      | <u>Original</u><br><u>Budget</u> | <u>Final</u><br><u>Budget</u> | <u>Actual</u>     |
|----------------------------------------------------------------------|----------------------------------|-------------------------------|-------------------|
| <u>Operating Revenues</u>                                            |                                  |                               |                   |
| Emergency telephone service charges                                  | \$ 278,000                       | \$ 278,000                    | \$ 263,695        |
| TN Emergency Communications Board                                    | 144,169                          | 144,169                       | 138,259           |
| <u>Total Operating Revenues</u>                                      | <u>422,167</u>                   | <u>422,169</u>                | <u>401,954</u>    |
| <u>Operating Expenses</u>                                            |                                  |                               |                   |
| Salaries-part-time personnel                                         | 13,770                           | 13,770                        | 13,240            |
| Dispatcher                                                           | 0                                | 30,000                        | 30,000            |
| Social Security                                                      | 650                              | 650                           | 821               |
| Medicare                                                             | 150                              | 150                           | 192               |
| Unemployment compensation                                            | 20                               | 20                            | 11                |
| Advertising                                                          | 300                              | 300                           | 69                |
| Auditing services                                                    | 6,500                            | 7,000                         | 6,500             |
| Legal services                                                       | 9,000                            | 9,000                         | 9,000             |
| Maintenance agreements                                               | 23,000                           | 26,262                        | 26,546            |
| Lease/rental communications equipment                                | 78,588                           | 78,588                        | 78,586            |
| Lease/rental building and facilities                                 | 5,000                            | 5,000                         | 2,000             |
| Maintenance & repairs communications equipment                       | 3,000                            | 3,000                         | 0                 |
| Other consultants                                                    | 14,000                           | 14,436                        | 10,436            |
| Supplies and materials                                               | 1,000                            | 1,000                         | 223               |
| Postage                                                              | 500                              | 500                           | 462               |
| General Telephone                                                    | 35,000                           | 35,000                        | 34,394            |
| Bank charges                                                         | 100                              | 100                           | 95                |
| Board meeting expenses                                               | 1,000                            | 1,000                         | 387               |
| Dues and memberships                                                 | 825                              | 825                           | 228               |
| Insurance liability                                                  | 8,000                            | 8,000                         | 6,160             |
| Insurance vehicles                                                   | 300                              | 300                           | 223               |
| Premium on surety bonds                                              | 620                              | 800                           | 770               |
| Training expenses                                                    | 8,000                            | 10,866                        | 10,886            |
| Travel expenses                                                      | 14,000                           | 16,652                        | 16,652            |
| <u>Total Operating Expenses</u>                                      | <u>223,323</u>                   | <u>263,219</u>                | <u>247,881</u>    |
| <u>Non-Operating Revenues</u>                                        |                                  |                               |                   |
| Interest income                                                      | 2,600                            | 2,600                         | 7,593             |
| Miscellaneous revenues                                               | 0                                | 0                             | 59                |
| Gain (loss) on asset disposition                                     | 0                                | 0                             | 368               |
| Grants and reimbursements                                            | 110,000                          | 110,000                       | 82,301            |
| <u>Total Non-Operating Revenues</u>                                  | <u>112,600</u>                   | <u>112,600</u>                | <u>90,321</u>     |
| <u>Total Revenue</u>                                                 | 534,769                          | 534,769                       | 492,275           |
| <u>Total Operating Expenses</u>                                      | <u>223,323</u>                   | <u>263,219</u>                | <u>247,881</u>    |
| <u>Net Operating Income</u>                                          | 311,446                          | 271,550                       | 244,394           |
| <u>Capital Expenditures</u>                                          |                                  |                               |                   |
| Office equipment                                                     | 12,000                           | 12,000                        | 3,747             |
| Communications equipment                                             | 237,800                          | 237,800                       | 59,074            |
| <u>Net Operating Income Including</u><br><u>Capital Expenditures</u> | <u>\$ 61,646</u>                 | <u>\$ 21,750</u>              | <u>\$ 181,573</u> |

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**RECONCILIATION OF CASH BASIS ACTUAL TO GAAP BASIS FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

|                                          | <u>Cash Basis</u> | <u>Adjustment</u>   |  | <u>Accrual</u>    |
|------------------------------------------|-------------------|---------------------|--|-------------------|
| <u>Operating Revenues</u>                |                   |                     |  |                   |
| Emergency telephone service charges      | \$ 251,561        | \$ 12,134 (1)       |  | \$ 263,695        |
| TB Emergency Communications Board        | <u>126,752</u>    | <u>14,507</u> (1)   |  | <u>138,259</u>    |
| <u>Total Operating Revenues</u>          | <u>378,313</u>    | <u>26,641</u>       |  | <u>401,954</u>    |
| <u>Operating Expenses</u>                |                   |                     |  |                   |
| Salaries                                 | 43,240            |                     |  | 43,240            |
| Social Security                          | 410               | 411                 |  | 821               |
| Medicare                                 | 96                | 96                  |  | 192               |
| Unemployment compensation                | 11                |                     |  | 11                |
| Advertising                              | 69                |                     |  | 69                |
| Auditing services                        | 6,500             |                     |  | 6,500             |
| Legal services                           | 9,000             |                     |  | 9,000             |
| Other consultants                        | 10,436            |                     |  | 10,436            |
| Maintenance agreements                   | 26,262            | ( 7,276) (3)        |  | 18,986            |
| Lease/rental communications equipment    | 78,586            |                     |  | 78,586            |
| Lease/rental buildings and facilities    |                   | 2,000 (3)           |  | 2,000             |
| Maint & repairs communications equipment | 7,560             |                     |  | 7,560             |
| Supplies and materials                   | 223               |                     |  | 223               |
| Postage                                  | 462               |                     |  | 462               |
| Equipment purchases                      | 3,747             |                     |  | 3,747             |
| Depreciation                             |                   | 84,642 (4)          |  | 84,642            |
| General Telephone                        | 34,394            |                     |  | 34,394            |
| Bank charges                             | 95                |                     |  | 95                |
| Board meeting expenses                   | 387               |                     |  | 387               |
| Dues and memberships                     | 228               |                     |  | 228               |
| Insurance liability                      | 6,208             | ( 48) (3)           |  | 6,160             |
| Insurance vehicles                       | 223               |                     |  | 223               |
| Premiums on surety bonds                 | 800               | ( 30) (3)           |  | 770               |
| Training expenses                        | 10,886            |                     |  | 10,886            |
| Travel expenses                          | <u>16,652</u>     |                     |  | <u>16,652</u>     |
| <u>Total Operating Expenses</u>          | <u>256,475</u>    | <u>79,795</u>       |  | <u>336,270</u>    |
| <u>Non-Operating Revenues</u>            |                   |                     |  |                   |
| Interest income                          | 6,164             | 1,429 (2)           |  | 7,593             |
| Miscellaneous revenues                   | 59                |                     |  | 59                |
| Gain (loss) on asset disposition         |                   | 368 (5)             |  | 368               |
| State Emergency Communications Board     | <u>82,301</u>     |                     |  | <u>82,301</u>     |
| <u>Total Non-Operating Revenues</u>      | <u>88,524</u>     | <u>1,797</u>        |  | <u>90,321</u>     |
| <u>Total Revenue</u>                     | <u>466,837</u>    | <u>28,438</u>       |  | <u>492,275</u>    |
| <u>Total Operating Expenses</u>          | <u>256,475</u>    | <u>79,795</u>       |  | <u>336,270</u>    |
| <u>Net Operating Income (Loss)</u>       | <u>\$ 210,362</u> | <u>\$ ( 51,357)</u> |  | <u>\$ 156,005</u> |

(1) Difference is due to accounts receivable entry to convert from cash to accrual basis.

(2) Difference is due to entry to correct from cash to accrual basis.

(3) Difference is due to entry to record and expense prepaid items.

(4) Depreciation is not recorded on cash basis books.

(5) Recording asset dispositions.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**ROSTER OF BOARD MEMBERS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

| <u>Name and Address</u>                                                                                 | <u>Position</u>     |
|---------------------------------------------------------------------------------------------------------|---------------------|
| Chris Gilbert<br>H&S Pharmacy of Chapel Hill<br>4708 Nashville Highway<br>Chapel Hill, TN 37034         | Chairman            |
| Robert Hopkins<br>Emergency Management Director<br>230 College Street, Suite 165<br>Lewisburg, TN 37091 | Vice-Chairman       |
| John Smiley<br>911 Technical Advisor<br>PO Box 1164<br>Lewisburg, TN 37091                              | Secretary/Treasurer |
| Joe Rozell<br>2691 Twitty Road<br>Petersburg, TN 37144                                                  | Board Member        |
| Sheriff Leslie Helton<br>Marshall County Jail<br>112 East Church Street<br>Lewisburg, TN 37091          | Board Member        |
| Chief Chuck Forbis<br>Lewisburg Police Department<br>101 Water Street<br>Lewisburg, TN 37091            | Board Member        |
| Eddie Fuller<br>City Manager<br>PO Box 1968<br>Lewisburg, TN 37091                                      | Board Member        |
| Larry Williams<br>Lewisburg Fire Department<br>118 Water Street<br>Lewisburg, TN 37091                  | Board Member        |
| Roger Fagan<br>1170 Webb Road<br>Lewisburg, TN 37091                                                    | Board Member        |

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
SCHEDULE OF INFORMATION REQUIRED BY THE TENNESSEE  
EMERGENCY COMMUNICATIONS BOARD  
JUNE 30, 2009**

Chairman of Marshall County Emergency  
Communications District

Chris Gilbert  
109 South Horton Parkway  
Chapel Hill, TN 37034  
(931) 364-2236

Director of Marshall County Emergency  
Communications District

None

Public Safety Answering Points  
Lewisburg Police Department  
101 Water Street  
Lewisburg, TN 37091

Type of System Used  
  
Positron System

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*

To the Board of Directors  
Marshall County Emergency Communication District  
Lewisburg, Tennessee

We have audited the financial statements of Marshall County Emergency Communication District, a component unit of Marshall County, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Marshall County Emergency Communication District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marshall County Emergency Communication District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marshall County Emergency 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Marshall County Emergency Communication District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of the Marshall County Emergency Communication District's financial statements that is more than inconsequential will not be prevented or detected by the Marshall County Emergency Communication District's internal control. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Marshall County Emergency Communication District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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* and *Tennessee Code Annotated, Section 7-86-120*.

Marshall County Emergency Communication District's response to the finding identified in our audit is disclosed in the accompanying schedule of findings. We did not audit Marshall County Emergency Communication District's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Directors, its management, and the County Mayor and Board of Commissioners of Marshall County, Tennessee, and should not be used by anyone other than these specified parties.

*Parsons and Associates*

Parsons and Associates, CPAs  
December 21, 2009

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**SCHEDULE OF FINDINGS**  
**YEAR ENDED JUNE 30, 2009**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Marshall County Emergency Communication District.
2. Two control deficiencies are reported in the 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. The finding is considered a significant deficiency.
3. No instances of noncompliance material to the financial Statements of Marshall County Emergency Communication District were disclosed during the audit.

**SIGNIFICANT DEFICIENCY**

2009-1 Separation of duties

Condition: The District has a limited staff (one part-time employee) and consequently is unable to properly segregate the control of funds from record keeping duties thus resulting in a significant deficiency in internal control. This condition has existed in prior years and is expected to continue in the future.

Criteria: Internal controls should be in place which provide reasonable assurance that funds of the district are properly safeguarded and recorded.

Effect: Because of the lack of separation of duties, the possibility exists that funds may not be properly accounting for and safeguarded.

Recommendation: Procedures should be implemented requiring as much separation of duties as possible and involving others from the Board.

**MANAGEMENT RESPONSE**

The Board does understand the impact of this deficiency in internal control and realizes that there is no practical way to remedy the shortage of personnel. Steps have been taken for the Treasurer to review all receipts prior to deposit and to closely monitor the financial condition and results of operations. The board reviews all transactions at the monthly Board meeting. Dual signatures are also required on all disbursements.

2009-2 Public Funds

Condition: The District maintains bank accounts at local financial institutions to handle its public funds. One institution is part of the Tennessee Collateral Pool while the other is not. Funds exceeded the \$250,000 insured amount and no collateral was issued to insure the excess.

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT**  
**SCHEDULE OF FINDINGS**  
**YEAR ENDED JUNE 30, 2009**

Criteria: Tennessee regulations require deposits be secured by collateral under the same conditions as state deposits or as provided in the state collateral pool.

Effect: Public Funds are at risk in the event of the banking institute being closed.

Recommendation: Public funds either need to be transferred to another banking institute or collateral be assigned to insure amounts above \$250,000 in accordance with state regulations.

**MANAGEMENT RESPONSE**

The Board takes its fiduciary responsibilities over public funds extremely seriously. Once the oversight was discovered, the excess funds were transferred to an institution that belongs to the state collateral pool.