

**EMERGENCY COMMUNICATIONS DISTRICT OF
SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)**

FINANCIAL STATEMENTS

June 30, 2001

TABLE OF CONTENTS

	Page
ROSTER OF EMPLOYEES AND BOARD MEMBERS	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Revenue, Expenses, and Changes in Retained Earnings	4
Statement of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule	12
Schedule of Information Required by The Tennessee Emergency Communications Board	13
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	14

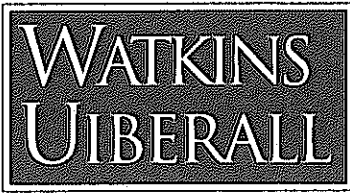
EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

ROSTER OF EMPLOYEES AND BOARD MEMBERS

June 30, 2001

<u>Employee</u>	<u>Title</u>
Mr. Raymond Chiozza	Director
Ms. Pat Evans	Office Manager
Ms. Sue Robbins	Public Education Coordinator
Mr. Harold Truebger	Systems Technician

<u>Board Member</u>	<u>Officer Position (if applicable)</u>	<u>Committee</u>
Mr. William Hughes	Chairman	Executive
Ms. Deidre Malone	Vice Chairman	Executive, Personnel, Public Education
Mr. Mike Molder	Secretary/Treasurer	Executive, Finance
Mr. Calvin Anderson		Public Education, Nominating
Mr. Roy Good		Personnel
Mr. Jack Morris		Public Education, Finance, Nominating
Dr. Barbara Duncan-Cody		Personnel



Watkins Uiberall, PLLC
Certified Public Accountants & Financial Advisors
Watkins, Uiberall, Leib, Blockman
Independent Member of BKR International

Sanford J. Blockman, CPA
David B. Jones, CPA, CFP
Steven H. Leib, CPA, PFS
David K. Palmer, CPA
Sherry S. Perry, CPA
Michael D. Uiberall, CPA
B. Cobene Watkins, CPA
William H. Watkins, Jr., CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Emergency Communications District of Shelby County, Tennessee
Memphis, Tennessee

We have audited the accompanying financial statements of the Emergency Communications District of Shelby County, Tennessee (a component unit of Shelby County, Tennessee) as of and for the year ended June 30, 2001, 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Emergency Communications District of Shelby County, Tennessee (a component unit of Shelby County, Tennessee) as of June 30, 2001, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2001, on our consideration of the District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Memphis, Tennessee
September 7, 2001

Watkins Uiberall, PLLC

EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

BALANCE SHEET

June 30, 2001

<u>Assets</u>	
Current Assets	
Cash and cash equivalents (note 4)	\$ 1,492,318
Investments (note 4)	3,926,294
Accounts receivable	425,817
Accrued interest income	61,354
Prepaid expenses	17,270
Total current assets	5,923,053
 Property and Equipment	
Equipment	559,959
Furniture	13,756
	573,715
Less: accumulated depreciation	(210,467)
	363,248
	\$ 6,286,301
 <u>Liabilities and Fund Equity</u>	
Current Liabilities	
Accounts payable	\$ 206,336
Compensated absences (note 2)	12,901
Total current liabilities	219,237
 Fund Equity	
Retained earnings - unreserved	6,067,064
	\$ 6,286,301

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

EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN RETAINED EARNINGS

For the Year Ended June 30, 2001

Revenue	
Service fees	\$ 2,975,280
Expenses	
Salaries and benefits	176,347
Professional fees	89,426
Public education and awareness	24,069
Rent expense (note 6)	23,728
Depreciation	50,550
Reimbursement to municipalities (note 5)	424,840
Service fees - BellSouth	1,395,127
General and administrative	115,065
	<u>2,299,152</u>
Income from operations	676,128
Other Income (Expense)	
Investment income	242,744
Unrealized gain on investments	66,122
Interest income	30,328
Loss on the disposal of assets	(1,381)
	<u>1,013,941</u>
Net income	1,013,941
Retained earnings - unreserved, July 1, 2000	<u>5,053,123</u>
Retained earnings - unreserved, June 30, 2001	<u>\$ 6,067,064</u>

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

EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2001

Cash Flows From (Used For) Operating Activities	
Cash received from customers	\$ 2,889,937
Cash payments to suppliers	(1,947,546)
Cash payments to employees	(171,036)
Net cash provided by operating activities	<u>771,355</u>
Cash Flows Used For Capital and Related Financing Activities	
Purchases of property and equipment	(141,308)
Cash Flows From (Used For) Investing Activities	
Purchase of investments	(3,425,771)
Proceeds from maturities of investments	3,109,980
Investment interest received	268,146
Net cash from investing activities	<u>(47,645)</u>
Increase in cash and cash equivalents	582,402
Cash and cash equivalents at beginning of the year	<u>909,916</u>
Cash and cash equivalents at end of the year	<u>\$ 1,492,318</u>
Reconciliation of Income From Operations to Net Cash Provided by Operating Activities:	
Cash Flows From (Used For) Operating Activities	
Income from operations	\$ 676,128
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	50,550
Changes in Assets and Liabilities	
Accounts receivable	(85,343)
Accounts payable	137,627
Accrued expenses	5,311
Prepaid expenses	(12,918)
Total adjustments	<u>95,227</u>
Net cash provided by operating activities	<u>\$ 771,355</u>

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

**EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note (1) - Summary of Significant Accounting Policies

The Emergency Communications District of Shelby County, Tennessee (a component unit of Shelby County, Tennessee) (the District) was established on November 21, 1984, pursuant to the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The District is responsible for establishing local emergency telephone service and a primary emergency telephone number for the residents of Shelby County, Tennessee. The District is governed by a nine member board of directors, which is appointed by the Mayor of Shelby County, Tennessee, and approved by the Board of Commissioners of Shelby County, Tennessee. The District is subject to the will of the Board of Commissioners of Shelby County, Tennessee. The Board has the authority to levy an emergency telephone service charge to be used to fund the operation of the District.

Enterprise funds account for operations (a) that are financed and operated in a manner similar to private enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Therefore, the financial statements of the Emergency Communication District of Shelby County, Tennessee (a component unit of Shelby County, Tennessee) are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Investments are stated at market value based on quoted market prices.

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to ten years. Depreciation expense for the year ended June 30, 2001 was \$45,548.

Emergency telephone service charge fees are recognized as revenue when collected.

The District applies Financial Accounting Board Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The District considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

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

Note (2) - Compensated Absences

District employees are granted sick and annual leave in varying amounts in accordance with administrative policies. Accumulated vacation days and compensatory time are required to be used annually but may be carried forward on written request or by executive direction. In the event of termination or retirement, the employees are reimbursed for accumulated vacation days and compensatory time. Generally, employees are reimbursed for accumulated sick leave, not to exceed 75 days, only upon retirement.

Note (3) - Concentration of Credit Risk

All fee revenue is derived from emergency telephone service charge fees collected and remitted by the various telephone companies. The District's existence is dependent upon these fees and the use of BellSouth's telephone lines and equipment. The District's agreement with BellSouth for use of its equipment is presently on a month-to-month basis. Approximately 58% of the District's service fees is derived from BellSouth and approximately 30% is derived from wireless fees collected by the Emergency Communications Board.

Note (4) - Cash and Cash Equivalents and Investments

Statutes authorize the District to invest in obligations of the United States Treasury, obligations guaranteed as to principal and interest by the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federal chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, banker's acceptances meeting specific rating criteria, commercial paper meeting specific rating criteria, and the state pooled investment fund.

Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

Deposits are classified into three categories of credit risk based upon the following:

<u>Category</u>	<u>Description</u>
1	Insured or collateralized by securities held by the District or its agent in the District's name
2	Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name
3	Uncollateralized (which includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the District's name)

At June 30, 2001, the carrying amount of the District's deposits was \$1,492,318 and the bank balance was \$1,499,401, which is classified as Category 1 credit risk.

Investments are classified into three categories of credit risk based upon the following:

<u>Category</u>	<u>Description</u>
1	Insured or registered, or securities held by the entity or its agent in the District's name
2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name
3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name

Investments at June 30, 2001 are categorized below to give an indication of the level of risk assumed by the entity at year-end.

	<u>Carrying Amount</u>	<u>Category 1</u>
U.S. Government Securities	\$ 3,926,294	\$ 3,926,294

Note (5) - Reimbursement to Municipalities

The District has determined that the municipalities participating in the emergency telephone service system should be reimbursed for costs incurred in the ongoing operation of the system. The municipalities are reimbursed at a rate of \$.45 per citizen per year based on the 1998 census. The reimbursement is paid in monthly installments of \$.0375 per citizen. These payments totaled to \$380,935 for the year ended June 30, 2001.

Note (6) - Commitments

For a portion of the year, the District leased its office space under a 5-year lease agreement that expired August 31, 2000. The District moved offices and entered into a new lease for its office space under a 3-year lease, expiring March 1, 2004. Rent expense under both lease agreements totaled \$23,728. Future minimum lease payments will be reduced by the cost of paving the parking lot at the new office space. The cost of the paving to the District was \$14,213, of which \$3,804 was applied to the year ended June 30, 2001.

Future minimum lease requirements for the years ending June 30 are as follows:

2002	\$ 11,412
2003	11,412
2004	7,608
	<u>\$ 30,432</u>

Note (7) - Retirement Plan

Plan Description

Employees of Shelby County 911 Emergency Communications District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in 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 Shelby County 911 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 www.treasury.state.tn.us.

Funding Policy

Shelby County 911 Emergency Communications District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Shelby County 911 Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2001 was 5.15% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Shelby County 911 Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2001, Shelby County 911 Emergency Communications District's annual pension cost of \$7,107 to TCRS was equal to Shelby County 911 Emergency Communications District's required and actual contributions.

The required contribution was determined as part of the July 1, 1999 actuarial valuation using the frozen initial liability 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 salary increases of 5.5 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 4.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Shelby County 911 Emergency Communications 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, 1999 was 19 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2001	\$ 7,107	100.00%	\$0.00
June 30, 2000	\$ 2,731	100.00%	\$0.00
June 30, 1999	\$ 2,908	100.00%	\$0.00

Required Supplementary Information

Schedule of Funding Progress for the Emergency Communications District:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (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, 1999	\$255	\$255	\$0	100.00%	\$109	0.00%
June 30, 1997	\$209	\$209	\$0	100.00%	\$101	0.00%
June 30, 1995	\$160	\$160	\$0	100.00%	\$92	0.00%

Changes in Actuarial Assumptions

An actuarial valuation will be performed as of July 1, 2001 which will establish subsequent contribution rates. Actuarial assumptions used in this valuation will be determined as of the June 30, 2000 experience study.

Note (8) - Risk Management

The District is exposed to potential loss including theft, property damage, public liability, or breach of contract. The District maintains commercial insurance policies in force to handle the above exposures. In the past three fiscal years, the District had no settlements in excess of insurance coverage.

EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenue			
Service fees	\$ 2,664,720	\$ 2,975,280	\$ 310,560
Expenses			
Salaries and benefits	224,138	176,347	47,791
Professional fees	133,614	89,426	44,188
Public education and awareness	77,000	24,069	52,931
Rent expense	25,000	23,728	1,272
Depreciation	44,170	50,550	(6,380)
Reimbursement to municipalities	497,400	424,840	72,560
Service fees – BellSouth	1,383,027	1,395,127	(12,100)
General and administrative	146,886	115,065	31,821
	<u>2,531,235</u>	<u>2,299,152</u>	<u>232,083</u>
Income from operations	133,485	676,128	542,643
Other Income (Expense)			
Investment income	210,000	242,744	32,744
Unrealized gain on investments	-	66,122	66,122
Interest income	-	30,328	30,328
Loss on disposal of assets	-	(1,381)	(1,381)
	<u>-</u>	<u>(1,381)</u>	<u>(1,381)</u>
Net income	<u>\$ 343,485</u>	1,013,941	<u>\$ 670,456</u>
Retained earnings - unreserved, July 1, 2000		<u>5,053,123</u>	
Retained earnings - unreserved, June 30, 2001		<u>\$ 6,067,064</u>	

See independent auditor's report.

EMERGENCY COMMUNICATIONS DISTRICT OF SHELBY COUNTY, TENNESSEE
(A Component Unit of Shelby County, Tennessee)

**SCHEDULE OF INFORMATION REQUIRED BY THE TENNESSEE EMERGENCY
COMMUNICATIONS BOARD**

June 30, 2001

There are nine public safety answering points (PSAPs) as listed below:

	<u>PSAPs</u>	<u>Address</u>	<u>Phone No.</u>	<u>Fax No.</u>
1	Bartlett Police Department	3730 Appling Road Bartlett, TN 38133	901-385-5510	901-385-5513
2	Collierville Police Department	156 N. Rowlett Drive Collierville, TN 3817	901-853-3207	901-853-3241
3	Germantown Police Department	1930 S. Germantown Road Germantown, TN 38138	901-757-7338	901-757-7211
4	Memphis Fire Department	79 S. Flicker Street Memphis, TN 38104	901-320-5300	901-458-8379
5	Memphis Police Communications	201 Poplar Room 12-25 Memphis, TN 38103	901-543-2710	901-576-2635
6	Shelby County Fire Department	1115 Sycamore View Memphis, TN 38134	901-385-5100	901-373-4925
7	Shelby County Communications	201 Poplar Room 9-22 Memphis, TN 38103	901-495-1150	901-576-5559
8	Millington Police Department	7930 Nelson Millington, TN 38053	901-872-3333	901-873-2161
9	Naval Support Activities	7800 Third Ave. Bld. S 2 Millington, TN 38054	901-874-5522	901-874-5649

Each PSAP uses the Positron PHREND ANI/LI Controller system which is rented from BellSouth. There is no on-site database, rather the 9-1-1 database is contracted from BellSouth and included with the monthly fee. That database resides in both Nashville and Birmingham in BellSouth facilities.

Director
Raymond Chiozza
6470 Haley Road
Memphis, TN 38134
Phone: 901-380-3911
Fax: 901-380-4707

Chairman
William Hughes
7082 Belsfield Road
Memphis, TN 38119
Phone: 901-729-6222
Fax: 901-726-5418

See independent auditor's report.



Watkins Uiberall, PLLC
Certified Public Accountants & Financial Advisors
Watkins, Uiberall, Leib, Blockman
Independent Member of BKR International

Sanford J. Blockman, CPA
David B. Jones, CPA, CFP
Steven H. Leib, CPA, PFS
David K. Palmer, CPA
Sherry S. Perry, CPA
Michael D. Uiberall, CPA
B. Cobene Watkins, CPA
William H. Watkins, Jr., CPA

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

The Board of Directors
Emergency Communications District of Shelby County, Tennessee
Memphis, Tennessee

We have audited the financial statements of the Emergency Communications District of Shelby County, Tennessee (a component unit of Shelby County, Tennessee) as of and for the year ended June 30, 2001, and have issued our report thereon dated September 7, 2001. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Watkins Liberal, PLLC

Memphis, Tennessee
September 7, 2001