

BRADLEY COUNTY "911"  
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

TWELVE MONTHS ENDED June 30, 2011

BRADLEY COUNTY "911"  
EMERGENCY COMMUNICATIONS DISTRICT

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June 30, 2011

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# Bradley County 911 Communications Center

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**Joe Wilson**  
*Director*

## **Management's Discussion and Analysis**

Our discussion and analysis of the Bradley County 911 Emergency Communications District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. This should be read in conjunction with the District's financial statements, which may be found elsewhere in this document.

### **Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and statement of revenues, expenses and changes in net assets provide information about the activities of the District as a whole and present an overview of the District's finances.

### **The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets**

One of the most important questions asked about any entity's finances is: "How did the District do financially this year?" The statement of net assets and statement of revenues, expenses and changes in net assets report information in a way that helps answer this question. These statements include all assets and liabilities using accrual basis accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in net assets. Net assets -- the difference between assets and liabilities -- are one way to measure the District's financial health, or its financial position. Over time, increases or decreases to the District's net assets are an indicator of whether its financial health is improving or deteriorating. An analysis of net assets and changes in net assets is as follows:

	<u>2011</u>	<u>2010</u>
Net Assets		
Current and other assets	\$ 1,861,593	\$ 1,853,244
Capital assets	<u>598,469</u>	<u>603,202</u>
Total assets	2,460,062	2,456,446
Current liabilities	(131,992)	(72,740)
Long-term liabilities	<u>(190,657)</u>	<u>(82,198)</u>
Total liabilities	<u>(322,649)</u>	<u>(154,938)</u>
Net Assets	<u>\$ 2,137,413</u>	<u>\$ 2,301,508</u>
Summary of net assets -		
Invested in capital assets	598,469	603,202
Unrestricted	<u>1,538,944</u>	<u>1,698,306</u>
Total Net Assets	<u>\$ 2,137,413</u>	<u>\$ 2,301,508</u>
Change in Net Assets		
Operating revenues	\$ 1,304,813	\$ 1,279,670
Operating expenses	<u>2,403,764</u>	<u>2,373,634</u>
Operating loss	(1,098,951)	(1,093,964)
Non-operating income	<u>934,856</u>	<u>924,926</u>
Change in Net Assets	(164,095)	(169,038)
Net Assets - beginning	<u>2,301,508</u>	<u>2,470,546</u>
Net Assets - ending	<u>\$ 2,137,413</u>	<u>\$ 2,301,508</u>

## **Analysis of Financial Position and Results of Operations**

The District's net assets have decreased by \$164,095 over the previous year. Operating revenue increased 1.96% do to an increase in operational funding received from the TECB. Operating expenditures were up 1.27% due to the recording of postemployment health insurance expense.

### **The District's Net Assets**

The District completed the year with net assets of \$2,137,413, a decrease of \$164,095 over the previous year.

### **Budgetary Highlights**

In order to prevent budget overruns, the final budget was amended. The significant changes were to salary expenses and post employment health benefit expense.

### **Capital Assets**

At the end of the accounting period, the District had \$598,469 in capital assets such as communication and office equipment, furniture and fixtures and building and improvements. This amount represents a decrease of \$4,733 or .785%.

### **Financial Activity and Plans for Future Needs**

The District will make investments in computer servers and other hardware in anticipation of the State of Tennessee switching 911 to an IP based calling system. This migration will take place throughout the year 2012. IP based technology is a precursor to Next Generation (NexGen) 911 which will make use text messaging, photo and video transmissions, and other services not now available on legacy 911 technology.

Planned expenditures include a logger/recorder capable of documenting images and text messages as well as the standard voice recordings, additional digital cards for the ModuCom PSAP equipment used to receive 911 calls, and computer/server upgrades to process the additional data.

Most expenditures will be reimbursable by the State of Tennessee.

Joseph B. Wilson, Jr.  
Director

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT  
June 30, 2011

Danny Lawson, Chairman

Wes Snyder, Vice Chairman

Janice Casteel, Treasurer

Chuck Atchley, Secretary

Gary Davis, Member

Tom Rowland, Member

Connie Spencer, Member

Troy Spence, Member

Hank Hayden, Member

Dewey Woody, Member

John England, Member

Grant Pirkle, Member

Jim Ruth, Member

## **FINANCIAL SECTION**

HARTING, BISHOP & ARRENDALE, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA  
KELVIN W. BISHOP, CPA  
THOMAS H. ARRENDALE, CPA, MBA

JANICE L. HAYES, CPA  
CASSIE BELL, CPA

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Bradley County "911" Emergency  
Communications District

We have audited the accompanying financial statements of Bradley County "911" Emergency Communications District, as of and for the year ended June 30, 2011. These financial statements are the responsibility of Bradley County "911" Emergency Communications District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 respective financial position of Bradley County "911" Emergency Communications District, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2011, on our consideration of Bradley County "911" 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3, schedules of pension plan and postemployment benefits

funding progress on page 24 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bradley County "911" Emergency Communications District's basic financial statements. The budgetary comparison schedule on pages 21 through 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements.

*Harting, Bishop & Arrendale, PLLC*

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee  
November 10, 2011

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,567,169
Certificates of deposits	163,786
Accounts receivable	121,098
Accrued interest receivable	602
Prepaid expense	<u>8,938</u>
Total Current Assets	<u>1,861,593</u>

Capital Assets

Furniture and fixtures	154,212
Office equipment	76,789
Communications equipment	1,504,248
Leashold improvements	<u>70,208</u>
Total Capital Assets	1,805,457
Accumulated Depreciation	<u>(1,206,988)</u>
Capital Assets, net	<u>598,469</u>

Total Assets \$ 2,460,062

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 12,322
Accrued payroll	68,719
Compensated absences	<u>50,951</u>
Total Current Liabilities	<u>131,992</u>

Long-term Liabilities

Postemployment health benefit liabilities	<u>190,657</u>
Total Liabilities	<u>322,649</u>

Net Assets

Invested in capital assets	598,469
Unrestricted	<u>1,538,944</u>
Total Net Assets	<u>2,137,413</u>

Total Liabilities and Net Assets \$ 2,460,062

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 For the Year Ended June 30, 2011

OPERATING REVENUES

Emergency telephone service charge	\$ 764,810
TECB - shared wireless charge	229,590
TECB - operational funding	307,803
Other operating revenues	<u>2,610</u>
Total Operating Revenues	<u>1,304,813</u>

OPERATING EXPENSES

Salaries and Wages	
Director	73,944
Administrative personnel	246,269
Dispatchers	812,186
Overtime	28,930
Bonuses	3,682
Supplemental pay	4,135
Longevity pay	7,150
Sold vacation pay	7,795
College pay	<u>1,030</u>
Total Salaries and Wages	<u>1,185,121</u>

Employee Benefits

Social security	88,023
Life insurance	12,926
Medical insurance	179,344
Dental insurance	11,376
Unemployment compensation	7,055
Retirement compensation	136,751
Other fringe benefits	4,080
Postemployment health benefit expense	<u>108,459</u>
Total Employee Benefits	<u>548,014</u>

Contracted Services

Advertising	1,103
Audit services	8,245
Administrative fees - service charge	99,418
Fees paid to service providers	72,777
Impact payments	81,300
Janitorial services	8,093
Legal services	8,880
NCIC/TBI/TIES expenses	11,801

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2011

(continued from previous page)

Lease/Rental - buildings and facilities	\$ -
Maintenance and repairs - communications equipment	85,294
Maintenance and repairs - buildings and facilities	12,012
Maintenance and repairs - office equipment	11,471
Total Contracted Services	<u>400,394</u>
Supplies and Materials	
Office supplies	12,903
Custodial supplies	3,579
Postage	1,890
Small equipment purchases	20,298
Uniforms and shirts	4,058
Utilities - electric	20,934
Utilities - general telephone	22,703
Utilities - cell phone and pagers	11,870
Total Supplies and Materials	<u>98,235</u>
Other Charges	
Board meeting expenses	5,919
Dues and memberships	2,158
Employee testing and exams	3,630
Insurance - workers compensation	4,951
Insurance - liability	9,801
Insurance - buildings and content	5,671
Insurance - equipment	-
License and fees	214
Premiums on surety bonds	1,200
Service awards	70
Training expense	10,382
Travel expenses	25,873
Other charges	1,292
Total Other Charges	<u>71,161</u>
Depreciation	
Depreciation expense	<u>100,839</u>
Total Depreciation	<u>100,839</u>
Total Operating Expenses	<u>2,403,764</u>
Operating Loss	<u>(1,098,951)</u>

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2011

(continued from previous page)

NON-OPERATING REVENUES

Interest income	\$ 6,916
Contributions from primary government	900,000
Contributions from other governments and agencies	9,090
Tower income	18,450
Miscellaneous income	<u>400</u>
Non-Operating Revenue	<u>934,856</u>
Net Loss	(164,095)
Net Assets, beginning	<u>2,301,508</u>
Net Assets, ending	<u>\$ 2,137,413</u>

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2011

Cash Flows from Operating Activities	
Cash received from surcharges and other revenues	\$ 1,308,947
Cash payments to suppliers for goods and services	(575,788)
Cash payments for payroll, taxes and related benefits	<u>(1,567,491)</u>
Net Cash Used by Operating Activities	<u>(834,332)</u>
Cash Flows from Noncapital Financial Activities	
Contributions from primary government	900,000
Contributions from other governments	9,090
Tower income	18,450
Miscellaneous income	<u>400</u>
Net Cash Provided by Noncapital Financing Activities	<u>927,940</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	<u>(96,106)</u>
Net Cashed Used by Capital and Related Financing Activities	<u>(96,106)</u>
Cash Flows from Investing Activities	
Purchases of certificates of deposit	(3,763)
Interest income received	<u>7,118</u>
Net Cash Provided by Investing Activities	<u>3,355</u>
Net Increase in Cash and Cash Equivalents	857
Cash and Cash Equivalents at Beginning of Year	<u>1,566,312</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,567,169</u>

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2011

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating loss	\$ (1,098,951)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation expense	100,839
Change in assets and liabilities:	
Decrease in receivables	4,135
Increase in accounts payable	5,336
Increase in accrued payroll	53,662
Increase in compensated absences	253
Increase in prepaid expenses	(8,065)
Increase in postemployment health benefit liabilities	<u>108,459</u>
 Net Cash Used by Operating Activities	 <u>\$ (834,332)</u>

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

NOTE 1 - General Information

Public Chapter No. 867 of the 1984 Tennessee Public Acts ("The Emergency Communications District Law") was enacted to establish local emergency telephone services; to provide for the funding of such services and such district; and to provide for the levying of a telephone service charge. On July 1, 2001, the Cleveland/Bradley Communications Center and the Bradley County "911" Emergency Communications District, each originally created to serve such functions, merged to form one emergency communication entity. The District is an agency of the City of Cleveland, the City of Charleston, and Bradley County, Tennessee, from which it receives additional revenues.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

As a government agency, the District is subject to standards prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of Bradley County "911" Emergency Communications District are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District applies Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless they conflict with or contradict GASB Guidance.

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments which have original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of 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.

Fixed Assets

Expenditures for fixed assets are recorded at historical cost. Fixed assets are depreciated using the straight-line method. The District generally capitalizes assets with a cost of \$500 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Furniture and fixtures	5-10
Office Equipment	5-10
Communication equipment	5-10
Leasehold improvements	5-10

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

NOTE 2 - Summary of Significant Accounting Policies (continued)

Joint Venture

Bradley County "911" Emergency Communications District is a joint venture between Bradley County, Tennessee and the Cities of Cleveland and Charleston, Tennessee. The District assists emergency service agencies in the saving of lives, protection of property, and swift apprehension of criminals for all citizens of Bradley County. The board consists of ten ex-officio members including: the County Mayor, the City of Cleveland Mayor, the City of Charleston Police Chief, the County Sheriff, the Cleveland Police Chief, the Cleveland Fire Chief, the Director of Emergency Medical Services, the Director of the Emergency Management Agency, Cleveland City Manager and Bradley County Fire Chief, along with three persons appointed by the County Mayor with the approval of the County Commission and the City of Cleveland Council.

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. Up to thirty days vacation may be carried forward into the following calendar year. Any excess accumulated vacation days are converted to sick leave. Each employee also has the option annually to convert up to 5 unused vacation days to cash. After one year of service, employees are entitled to their accrued vacation leave upon termination of service. Compensated absences are reported as accrued in the District's financial statements.

Budgets and Budgetary Accounting

The District is required by state statute to adopt annual budgets. As such, the District employs a formal budget integration as a management control device during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Then, the budget is legally enacted through passage of an ordinance. Expenditures may not legally exceed appropriations and any revisions authorized by the board. Appropriations lapse at the end of each fiscal year.

NOTE 3 - Cash on Deposit

The treasurer of the District is responsible for receiving, disbursing, depositing and investing the District's funds. The District's policy related to deposits and investment risk is to invest in certificates of deposit usually with a maturity of three years or less. The District's policy is designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws. All deposits with a bank or other financial institution shall be secured by collateral or in a collateral pool as allowed by state statutes. As of June 30, 2011 all deposits with financial institutions were secured by collateral or by State of TN Bank collateral pool. A schedule of cash and investments classified by category of credit risk at June 30, 2011 is as follows:

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2011

NOTE 3 - Cash on Deposit (continued)

	Carrying Amount	Bank Balance
Cash, insured by Federal Depository Insurance (FDIC)	\$ 250,000	\$ 250,000
Cash, collateralized by the State of TN		
Bank Collateral Pool	1,317,119	1,284,683
Certificates of Deposit, insured by FDIC	163,786	163,786
Petty Cash	50	50
Total	\$ 1,730,955	\$ 1,698,519

NOTE 4 - Accounts Receivable

The account receivable balance represents amounts due from the telephone companies' subscriber service charges at June 30, 2011.

NOTE 5 - Fixed Assets

The following is a schedule of changes to fixed assets:

	June 30, 2010	Additions	Retirements	June 30, 2011	Accumulated Depreciation June 30, 2011
Furniture and fixtures	\$ 123,873	\$ 30,339	\$ -	\$ 154,212	\$ 48,689
Office equipment	70,642	6,147	-	76,789	44,537
Communications equipment	1,444,628	59,620	-	1,504,248	1,067,948
Leasehold improvements	70,208	-	-	70,208	45,814
Total	\$ 1,709,351	\$ 96,106	\$ -	\$ 1,805,457	\$ 1,206,988

Provision for depreciation totaled \$100,839 for the year ended June 30, 2011.

NOTE 6 - Risk Management - Claims and Insurance

Significant losses are covered by commercial insurance for property, liability, and employee dishonesty. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current or the three prior years.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011

NOTE 7 - Lease Commitments

The District leases the land on which the communications center is located from Cleveland Utilities. The lease agreement provides that the annual rental shall be in the amount of \$1 per year payable in advance. The term of the lease, which originated October 25, 1996, is for a period of twenty years. The District has the option to renew the lease for one additional period of twenty years under the same terms and conditions as the original lease.

NOTE 8 - Impact Payments

The building used as the communications center for the District is owned by the City of Cleveland, Tennessee. The City issued bonds in the amount of \$1.1 million to finance the construction of the communications center and purchase of necessary equipment. Under the terms of the bond resolution, the City must own the building. The District will make impact payments to the City in the amount of the annual debt service requirements on the bonds. Impact payments for the year ended June 30, 2011 totaled \$81,300.

NOTE 9 - Retirement Plan

Plan Description

Employees of Bradley 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 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 Bradley 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 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, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at<http://www.treasury.state.tn.us/tcrs/PS/>.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2011

NOTE 9 - Retirement Plan (continued)

Funding Policy

Bradley 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.

Bradley County "911" Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 12.41% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Bradley 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, 2011, Bradley County "911" Emergency Communications District's annual pension cost of \$129,989 to TCRS was equal to Bradley County "911" Emergency Communications District 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 total investments over a ten-year period. Bradley 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, 2009 was 8 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$129,989	100.00%	\$0.00
June 30, 2010	\$111,927	100.00%	\$0.00
June 30, 2009	\$119,264	100.00%	\$0.00

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2011

NOTE 9 - Retirement Plan (continued)

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 64.24% percent funded. The actuarial accrued liability for benefits was \$1.5 million, and the actuarial value of assets was \$1.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.0 million, and the ratio of the UAAL to the covered payroll was 52.77% 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.

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2007	\$736	\$1,052	\$316	69.96%	\$1,028	30.74%
July 01, 2009	\$965	\$1,502	\$537	64.24%	\$1,018	52.77%

NOTE 10 – Postemployment benefits

In June 2004, The Governmental Accounting Standards Board issued Statement No. 45 (“GASB 45”), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 45’s objective is to establish standards for the measurement, recognition, and display of post-employment benefit expenses, related liabilities, note disclosures, and required supplementary information. GASB 45 does not require funding of plan benefits. The District has implemented GASB 45 in the year ended June 30, 2010. GASB 45 was implemented prospectively with a zero net OPEB obligation at transition.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2011

NOTE 10 – Postemployment benefits (continued)

Plan Description

The District provides postretirement medical, dental and life insurance benefits to employees who retire from the District with 25 years of service, or age 55 with 10 years of service. Medical benefits are provided using a point of service (POS) plan through CIGNA. Dental benefits are provided using a preferred provider organization (PPO) through Blue Cross/Blue Shield. Boston Mutual Life Insurance provides life insurance benefits. The following schedule applies to employees with over 10 years of service. If the retiree has family coverage the District will pay half the difference between the cost of the family plan and the cost of the individual plan.

<u>Years of Service At Retirement</u>	<u>Percentage of Premium Paid by Participant</u>
<15	100.00%
15	50.00%
16	46.67%
17	40.33%
18	40.00%
19	36.67%
20	33.33%
21	30.00%
22	26.67%
23	23.33%
24	20.00%
25	16.67%
26	13.33%
27	10.00%
28	6.67%
29	3.33%
30+	0.00%

Funding Policy and Annual OPEB Cost

The District's annual other postemployment benefit (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Districts annual OPEB cost for the current year are as follows:

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2011

NOTE 10 – Postemployment benefits (continued)

Annual Required Contribution (ARC)	\$113,709
Interest on net OPEB obligation	3,288
Adjust to annual required contribution	<u>(3,438)</u>
Annual OPEB cost (expense)	113,559
Contribution made	<u>(5,100)</u>
Increase in net OPEB obligation	108,459
Net OPEB obligation – June 30, 2010	<u>82,198</u>
Net OPEB obligation – June 30, 2011	<u>\$190,657</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the next OPEB obligation for 2011 is as follows:

Fiscal Year <u>Ending</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
6/30/10	\$86,502	5.0%	\$82,198
6/30/11	\$113,559	4.5%	\$190,657

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

Actuarial accrued liability (AAL)	\$ 712,599
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 712,599</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,185,121
UAAL as a percentage of covered payroll	60.13%

Actuarial Methods and Assumptions

In the July 1, 2010 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.00% funding interest rate. The 2010 medical cost trend rate used was 9% with an ultimate medical cost trend rate of 5% projected to be reached in 2012. The annual payroll growth rate is assumed to be 2.5%. The remaining amortization period for the unlimited actuarial accrued liability as of June 30, 2010 is 29 years.

SUPPLEMENTARY INFORMATION

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 BUDGET COMPARISON SCHEDULE  
 For the Year Ended June 30, 2011

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
<u>OPERATING REVENUES</u>			
Emergency telephone service charge	\$ 764,810	\$ 850,000	\$ 85,190
TECB - shared wireless charge	229,590	190,000	(39,590)
TECB - operational funding	307,803	218,000	(89,803)
Other operating revenues	<u>2,610</u>	<u>2,600</u>	<u>(10)</u>
Total Operating Revenues	<u>1,304,813</u>	<u>1,260,600</u>	<u>(44,213)</u>
<u>OPERATING EXPENSES</u>			
<u>Salaries and Wages</u>			
Director	73,944	74,493	549
Administrative personnel	246,269	246,270	1
Dispatchers	812,186	906,095	93,909
Overtime	28,930	40,000	11,070
Bonuses	3,682	3,850	168
Supplemental pay	4,135	5,000	865
Longevity pay	7,150	11,000	3,850
Sold vacation pay	7,795	7,800	5
College pay	<u>1,030</u>	<u>1,050</u>	<u>20</u>
Total Salaries and Wages	<u>1,185,121</u>	<u>1,295,558</u>	<u>110,437</u>
<u>Employee Benefits</u>			
Social security	88,023	101,865	13,842
Life insurance	12,926	16,700	3,774
Medical insurance	179,344	220,000	40,656
Dental insurance	11,376	14,500	3,124
Unemployment compensation	7,055	12,000	4,945
Retirement compensation	136,751	165,247	28,496
Other fringe benefits	4,080	10,800	6,720
Postemployment health benefit expense	<u>108,459</u>	<u>109,000</u>	<u>541</u>
Total Employee Benefits	<u>548,014</u>	<u>650,112</u>	<u>102,098</u>
<u>Contracted Services</u>			
Advertising	1,103	1,500	397
Audit services	8,245	8,250	5
Administrative fees - service charge	99,418	105,000	5,582
Fees paid to service providers	<u>72,777</u>	<u>75,000</u>	<u>2,223</u>

(Continued on next page)

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 BUDGET COMPARISON SCHEDULE  
 For the Year Ended June 30, 2011  
 (continued from previous page)

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
<u>Contracted Services (continued)</u>			
Impact payments	81,300	82,000	700
Janitorial services	8,093	9,000	907
Legal services	8,880	9,000	120
NCIC/TBI/TIES expenses	11,801	13,200	1,399
Pest Control	-	500	500
Lease/Rental - buildings & facilities	-	2,450	2,450
Maint and repairs - comm equip	85,294	86,150	856
Maint and repairs - bldg & facility	12,012	37,725	25,713
Maint and repairs - office equip	11,471	12,017	546
Total Contracted Services	<u>400,394</u>	<u>441,792</u>	<u>41,398</u>
<u>Supplies and Materials</u>			
Office supplies	12,903	17,500	4,597
Custodial supplies	3,579	4,000	421
Postage	1,890	1,900	10
Small equipment purchases	20,298	54,646	34,348
Uniforms and shirts	4,058	6,150	2,092
Utilities - electric	20,934	23,200	2,266
Utilities - general telephone	22,703	23,000	297
Utilities - cell phone and pagers	11,870	13,950	2,080
Total Supplies and Materials	<u>98,235</u>	<u>144,346</u>	<u>46,111</u>
<u>Other Charges</u>			
Board meeting expenses	5,919	10,000	4,081
Dues and memberships	2,158	2,160	2
Employee testing and exams	3,630	5,000	1,370
Insurance - workers compensation	4,951	5,000	49
Insurance - liability	9,801	10,000	199
Insurance - buildings and content	5,671	5,702	31
Insurance - equipment	-	400	400
Licenses and fees	214	300	86
Premiums on surety bonds	1,200	2,000	800
Service awards	70	500	430
Training expense	10,382	18,500	8,118
Travel expenses	25,873	30,000	4,127
Other charges	1,292	2,900	1,608
Total Other Charges	<u>71,161</u>	<u>92,462</u>	<u>21,301</u>

(Continued on next page)

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 BUDGET COMPARISON SCHEDULE  
 For the Year Ended June 30, 2011  
 (continued from previous page)

	Actual <u>(Accrual Basis)</u>	Budget <u>(Accrual Basis)</u>	Variance <u>(Over) Under</u>
<u>Depreciation</u>			
Depreciation expense	100,839	124,000	23,161
Total Depreciation	<u>100,839</u>	<u>124,000</u>	<u>23,161</u>
Total Operating Expenses	<u>2,403,764</u>	<u>2,748,270</u>	<u>344,506</u>
Operating Loss	<u>(1,098,951)</u>	<u>(1,487,670)</u>	<u>388,719</u>
 <u>NON-OPERATING REVENUES</u>			
Interest income	6,916	3,500	(3,416)
Contributions from primary government	900,000	900,000	-
Contributions from other governments	9,090	9,090	-
Tower income	18,450	21,100	2,650
Miscellaneous income	400	400	-
Non-Operating Revenue	<u>934,856</u>	<u>934,090</u>	<u>(766)</u>
Net (Loss)	<u>\$ (164,095)</u>	<u>\$ (553,580)</u>	<u>\$ 389,485</u>

REQUIRED SUPPLEMENTARY  
INFORMATION

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 SCHEDULES OF PENSION PLAN AND POSTEMPLOYMENT  
 BENEFITS FUNDING PROGRESS  
 June 30, 2011

Pension Plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2007	\$736	\$1,052	\$316	69.96%	\$1,028	30.74%
July 01, 2009	\$965	\$1,502	\$537	64.24%	\$1,018	52.77%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

Postemployment Benefits

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/09	\$0	\$632	\$632	0.00%	\$1,143	55.29%
07/01/10	\$0	\$713	\$713	0.00%	\$1,185	60.13%

INTERNAL CONTROL  
AND COMPLIANCE SECTION

HARTING, BISHOP & ARRENDALE, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

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TENNESSEE SOCIETY OF  
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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  
Bradley County "911" Emergency  
Communications District

We have audited the financial statements of Bradley County "911" Emergency Communications District, as of and for the year ended June 30, 2011 and have issued our report thereon dated November 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Bradley County "911" Emergency Communications 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 Bradley County "911" Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bradley County "911" Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements,

noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Harting, Bishop & Arrendale, PLLC*

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee

November 10, 2011

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
For the Fiscal Year Ended June 30, 2011

2010-1: Budget

Condition and Criteria: The District is required to maintain expenditures within budget amounts. Budget line items were over expended.

Effect: District has made expenditures in excess of the amounts budgeted.

Cause: The District had one year end budget amendment that was approved by the finance committee, however, the amendment was not presented to the Board for approval. This was an oversight that resulted in the sold vacation pay line item being in excess of the budget. The District also had to implement GASB 45 for fiscal year ended June 30, 2010. The actuarial report was not received until November 2010 and the postemployment health benefit expense was not known and not budgeted for resulting in this line item being in excess of budget.

Recommendation: We recommend the District maintain the approved budget to ensure expenditures remain within budget.

Current Status: The District maintained the budget according to policy for the year ended June 30, 2011.