

Financial Statements

COCKE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Years Ended June 30, 2011 and 2010

TABLE OF CONTENTS

	<u>Page Nos.</u>
INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-5
FINANCIAL STATEMENTS	
Statements of Net Assets	6
Statements of Revenue, Expenses and Change in Net Assets	7-9
Statements of Cash Flows	10-11
Notes to the Financial Statements	12-19
REQUIRED SUPPLEMENTARY INFORMATION	
Funding Progress - Political Subdivision Pension Plan Supplementary Information	20
OTHER SUPPLEMENTARY INFORMATION	
Statement of Revenue and Expenses - Actual and Budget	21-23
Expenditures of State Awards	24
Board of Directors	25
INTERNAL CONTROL AND COMPLIANCE	
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26-27

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Cocke County Emergency Communications District
Newport, Tennessee

We have audited the accompanying statements of net assets of Cocke County Emergency Communications District, a component unit of Cocke County, Tennessee, as of June 30, 2011 and 2010, and the related statements of revenue, expenses and change in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of America. Those standards require that we plan and perform the audits 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 audits provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Cocke County Emergency Communications District as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 to 5 and the required supplementary information on page 20 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 this information and express no opinion thereon.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cocke County Emergency Communications District's basic financial statements. The accompanying schedule of expenditures of state awards 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 audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The accompanying other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2011 on our consideration of Cocke County Emergency Communications District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

November 10, 2011

***COCKE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT (E-911)
145 Mineral Street
Newport, Tennessee 37821***

**Kathy L. Cody, Director
Cocke911@planetcc.com**

**Office: 423-623-5978
fax: 423-623-4071**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Cocke County Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal years ended June 30, 2011, 2010 and 2009. Please read it in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditors report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District using accounting methods similar to those used by private companies. These statements offer both short-term and long-term financial information about its activities. The statement of net assets includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligations to the District's credit (liabilities).

All of the current year's revenues and expenses are accounted for in the statement of revenue, expenses, and change in net assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The statement of net assets and the statement of revenue, expenses and change in net assets report information about the District's activities in a way that will help answer this question. The two statements report the difference between assets and liabilities as one way to measure financial health or financial position.

Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. A summary of the District's net assets and changes in them is presented below:

SUMMARIZED FINANCIAL INFORMATION

	<u>2011</u>	<u>2010</u>	<u>2009</u>
NET ASSETS			
Current assets	\$ 1,380,009	\$ 1,237,674	\$ 1,093,167
Capital assets	<u>560,944</u>	<u>589,569</u>	<u>417,460</u>
Total assets	<u>\$ 1,940,954</u>	<u>\$ 1,827,243</u>	<u>\$ 1,510,627</u>
Liabilities	\$ 0	\$ 42,201	\$ 3,034
Net assets:			
Invested in capital assets	560,944	589,569	417,460
Unrestricted	<u>1,380,009</u>	<u>1,195,473</u>	<u>1,090,133</u>
	<u>1,940,954</u>	<u>1,785,042</u>	<u>1,507,593</u>
Total liabilities and net assets	<u>\$ 1,940,954</u>	<u>\$ 1,827,243</u>	<u>\$ 1,510,627</u>
CHANGE IN NET ASSETS			
Operating revenue	\$ 486,266	\$ 448,935	\$ 445,473
Operating expenses	<u>449,223</u>	<u>430,486</u>	<u>391,385</u>
Operating income	37,043	18,450	54,087
Nonoperating revenue	<u>118,868</u>	<u>259,000</u>	<u>152,378</u>
Change in net assets	155,911	277,449	206,466
Beginning net assets	<u>1,785,042</u>	<u>1,507,593</u>	<u>1,301,127</u>
Ending net assets	<u>\$ 1,940,954</u>	<u>\$ 1,785,042</u>	<u>\$ 1,507,593</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As shown by the summarized financial information, the District's net assets have increased by \$155,911 (\$277,449 during the year ended June 30, 2010 and \$206,466 during the year ended June 30, 2009). Operating revenue increased at a rate of 7% (1% in 2010 and 1% in 2009) while expenses increased at a rate of 4% (9% in 2010 and 10% in 2009).

THE DISTRICT'S NET ASSETS

The District completed the year with net assets of \$1,940,954 (\$1,785,042 in 2010 and \$1,507,593 in 2009) which is \$155,911 more than the prior year's ending net assets (\$277,449 more in 2010 and \$206,466 more in 2009).

BUDGETARY HIGHLIGHTS

The District adopts an annual opening budget, which includes proposed expenses and the means for paying these expenses. As conditions change during the year, the budget may be amended to prevent budget overruns.

The operations of the Cocke County Emergency Communications District are primarily funded as follows:

- Telephone and Wireless companies "911" fees
- Operational fund program from State of Tennessee Emergency Communications Board (TECB)
- Interest income

Income from residential phone lines increased from revenue for the prior year and was \$39,365 (\$2,253 more than budgeted income in 2010 and \$9,035 in 2009). State shared wireless income and income from private carriers due to cell phone use increased from revenue for the prior year and was less than budgeted income by \$2,252 (\$80,034 less than budgeted income in 2010 and \$37,644 in 2009).

Total expenditures in most budget categories remained in line with a few exceptions.

CAPITAL ASSETS

The District's investment in capital assets amounts to \$919,934 (\$926,273 in 2010 and \$719,786 in 2009) with accumulated depreciation of \$358,990 (\$336,704 in 2010 and \$302,326 in 2009). Capital assets include the leasehold improvements, communications equipment, a vehicle, as well as office furniture and office equipment.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing the Cocke County Emergency Communications District is the potential decrease in revenue generated from landline telephones. Many residents now use cell phones for the residential lines. While the increase in cell phone use is generating revenue, only a portion of that revenue is being returned to each 911 district under the current system being used by the state for distributing shared wireless fees. The uncertainty of landline use and income from shared wireless fees has become a problem in estimating revenue for budget preparation. However, recent reports from telephone companies indicate that monthly losses of landline revenue may be stabilizing and may remain at a more manageable level in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens with a general view of the District's finances and to show the District's accountability for the money it receives. If you have any question or need additional information, contact Kathy Cody, Director at the address on the letterhead.

Kathy L. Cody, Director

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF NET ASSETS

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,294,198	\$ 1,180,039
Accounts receivable	25,465	31,480
Due from TECB	54,003	14,415
Prepaid expenses	<u>6,343</u>	<u>11,740</u>
TOTAL CURRENT ASSETS	1,380,009	1,237,674
CAPITAL ASSETS		
Communications equipment	718,559	766,362
Office equipment	96,047	54,583
Vehicles	46,456	46,456
Leasehold improvements	<u>58,873</u>	<u>58,873</u>
	919,934	926,273
Accumulated depreciation	<u>(358,990)</u>	<u>(336,704)</u>
	<u>560,944</u>	<u>589,569</u>
TOTAL ASSETS	<u>\$ 1,940,954</u>	<u>\$ 1,827,243</u>

See the accompanying notes to the financial statements.

	<u>2011</u>	<u>2010</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 0	\$ 30,151
Due to TECB	0	7,119
Payroll deductions payable	<u>0</u>	<u>4,930</u>
TOTAL CURRENT LIABILITIES	0	42,201
NET ASSETS		
Invested in capital assets	560,944	589,569
Unrestricted	<u>1,380,009</u>	<u>1,195,473</u>
	<u>1,940,954</u>	<u>1,785,042</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,940,954</u>	<u>\$ 1,827,243</u>

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUE		
Emergency telephone service charges	\$ 231,365	\$ 228,353
TECB-shared wireless charge	87,748	84,966
TECB-operational funding program	<u>167,153</u>	<u>135,617</u>
TOTAL OPERATING REVENUE	486,266	448,935
OPERATING EXPENSES		
Salaries and wages:		
Director	46,742	44,058
Administrative personnel	35,306	33,280
Overtime	8,407	7,814
Part-time personnel	<u>76,345</u>	<u>70,589</u>
	166,800	155,740
Employee benefits:		
Social security	10,472	9,908
Medicare	2,449	2,317
Medical insurance	32,927	37,325
Dental insurance	1,000	1,158
Retirement	10,175	10,905
Unemployment tax	<u>0</u>	<u>547</u>
	57,023	62,161
Contracted services:		
Addressing/mapping	0	354
Advertising	269	409
Audit services	4,200	3,975
Contracts with private agencies	1,041	940
Fuel-vehicles	2,730	1,608
Janitorial services	2,487	2,400
Lease/Rental-office equipment	1,206	1,104
Maintenance agreements	25,583	11,218
Pest control	670	670
NCIC/TBI/TIES	6,560	9,730

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

(continued)

Years Ended June 30, 2011 and 2010

	2011	2010
Contracted services(continued):		
Maintenance and repairs-buildings and facilities	8,767	15,235
Maintenance and repairs-communications equipment	9,509	17,883
Maintenance and repairs-vehicles	220	3,550
	63,242	69,077
Supplies and materials:		
Office supplies	2,958	2,419
Custodial supplies	1,314	606
Data processing supplies	3,737	1,427
Postage	399	229
Small equipment purchases	1,385	1,670
Other supplies and materials	1,963	299
Utilities-electric	5,940	5,779
Utilities-gas	762	766
Utilities-water	327	269
Utilities-general telephone	32,000	34,929
Utilities-cell phones and pagers	900	700
	51,686	49,093
Other charges:		
Board meeting expense	33	0
Dues and memberships	672	717
Insurance	14,353	13,751
Public education	5,637	2,103
Service awards	0	110
Training	4,833	8,133
Travel	4,505	6,198
	30,032	31,011
Depreciation	80,440	63,404
TOTAL OPERATING EXPENSES	449,223	430,486
INCOME FROM OPERATIONS	37,043	18,450

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

(continued)

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
NONOPERATING REVENUE(EXPENSE)		
Contributions from other governments	51,512	51,173
TECB-grants	64,565	229,422
Interest income	2,791	10,844
Loss on disposal of equipment	<u>0</u>	<u>(32,440)</u>
	<u>118,868</u>	<u>259,000</u>
CHANGE IN NET ASSETS	155,911	277,449
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>1,785,042</u>	<u>1,507,593</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 1,940,954</u>	<u>\$ 1,785,042</u>

See the accompanying notes to the financial statements.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2011 and 2010

	2011	2010
CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Cash received from telephone charges	\$ 492,137	\$ 481,242
Cash paid to employees	(161,952)	(157,636)
Cash paid to suppliers	(243,635)	(189,299)
NET CASH PROVIDED BY OPERATING ACTIVITIES	86,551	134,307
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(51,815)	(267,952)
TECB-grants	7,119	280,410
NET CASH (USED)PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(44,696)	12,458
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from other governments	51,512	51,173
TECB-grants	18,000	18,000
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	69,512	69,173
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
Interest received	2,791	10,844
NET INCREASE IN CASH	114,159	226,782
CASH AT THE BEGINNING OF THE YEAR	1,180,039	953,257
CASH AT THE END OF THE YEAR	\$ 1,294,198	\$ 1,180,039

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF CASH FLOWS

(continued)

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Income from operations	\$ 37,043	\$ 18,450
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	80,440	63,404
(Increase)decrease in:		
Accounts receivable	6,014	(10,088)
Due from TECB	(143)	34,897
Prepaid expenses	5,397	(11,522)
(Decrease) in:		
Accounts payable	(30,151)	30,151
Due to TECB	(7,119)	7,119
Payroll deductions payable	(4,930)	1,896
	<u>49,507</u>	<u>115,857</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 86,551</u>	<u>\$ 134,307</u>

See the accompanying notes to the financial statements.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE A - DESCRIPTION OF ORGANIZATION

Cocke County Emergency Communications District (the District) was created by a countywide referendum on November 8, 1988. The Cocke County Board of Commissioners appointed the District's initial Board of Directors on February 21, 1989 pursuant to Chapter 867 of the Public Acts of 1984. The District is responsible for the installation and maintenance of the emergency communications network of Cocke County, Tennessee (Enhanced 911 Service). The communications system became fully operational on November 15, 1992.

The District is considered a component unit of Cocke County, Tennessee because the Cocke County Board of Commissioners appoints a majority of the District's Board of Directors and must approve any debt issued by the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The District uses the accrual basis of accounting. Revenue is recognized when earned and measurable, and expenses are recognized when the liability is incurred. Operating revenue is revenue that is generated from the primary operations of the District. All other revenue is reported as nonoperating revenue. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as nonoperating expenses.

The District follows all pronouncements of the Governmental Accounting Standards Board (GASB) and pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989. The District has not elected to follow FASB pronouncements issued after November 30, 1989.

GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset groups:

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011 and 2010

Invested in capital assets: This category includes capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2011 and 2010 has been calculated as follows:

	<u>2011</u>	<u>2010</u>
Capital assets	\$ 919,934	\$ 926,273
Accumulated depreciation	<u>(358,990)</u>	<u>(336,704)</u>
	<u>\$ 560,944</u>	<u>\$ 589,569</u>

Restricted: This category includes net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District had no restricted net assets as of June 30, 2011 and 2010.

Unrestricted: This category includes net assets that are not subject to externally imposed stipulations and that do not meet the definition of “restricted” or “invested in capital assets”. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Accounts Receivable

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2011 and 2010, no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets, which include property and equipment, are recorded at cost. Capital assets are defined by the District as assets with an initial, individual cost of \$500 or more. Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to thirty years.

Operating Budget

The District is required by state law to adopt an annual operating budget. The Board of Directors approves the original budget and any amendments, and maintains the legal level of control at the line item level. The budget is prepared on the accrual basis of accounting. All appropriations lapse at the end of the year.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011 and 2010

Compensated Absences

The District's full-time employees are granted vacation leave in varying amounts and may accumulate a maximum of 25 days. In the event of termination, the employee is paid for any unused vacation leave.

NOTE C - CASH

Cash represents money on deposit in various banks. The District considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

State of Tennessee law authorizes the District to invest in obligations of the United States or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the state treasurer's local government investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2011 were entirely insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the District's agent in the District's name.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011 and 2010

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 and June 30, 2010, was as follows:

	<u>Balance</u> <u>7/1/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/11</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 766,362	\$ 1,387	\$ (49,190)	\$ 718,559
Office equipment	54,583	50,428	(8,964)	96,047
Vehicles	46,456	0	0	46,456
Leasehold improvements	<u>58,873</u>	<u>0</u>	<u>0</u>	<u>58,873</u>
	926,273	51,815	(58,154)	919,934
<u>Accumulated depreciation</u>				
Communications equipment	(251,357)	(66,380)	49,190	(268,547)
Office equipment	(34,953)	(5,602)	8,964	(31,591)
Vehicles	(24,419)	(4,897)	0	(29,316)
Leasehold improvements	<u>(25,976)</u>	<u>(3,561)</u>	<u>0</u>	<u>(29,537)</u>
	<u>(336,704)</u>	<u>(80,440)</u>	<u>58,154</u>	<u>(358,990)</u>
	<u>\$ 589,569</u>	<u>\$ (28,625)</u>	<u>\$ 0</u>	<u>\$ 560,944</u>

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011 and 2010

	<u>Balance</u> <u>7/1/09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/10</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 555,126	\$ 239,702	\$ (61,465)	\$ 766,362
Office equipment	50,818	3,765	0	54,583
Vehicles	21,970	24,486	0	46,456
Leasehold improvements	<u>58,873</u>	<u>0</u>	<u>0</u>	<u>58,873</u>
	719,786	267,952	(61,465)	926,273
 <u>Accumulated depreciation</u>				
Communications equipment	(228,870)	(51,512)	29,025	(251,357)
Office equipment	(30,170)	(4,783)	0	(34,953)
Vehicles	(20,872)	(3,547)	0	(24,419)
Leasehold improvements	<u>(22,414)</u>	<u>(3,561)</u>	<u>0</u>	<u>(25,976)</u>
	<u>(302,326)</u>	<u>(63,404)</u>	<u>29,025</u>	<u>(336,704)</u>
	<u>\$ 417,460</u>	<u>\$ 204,548</u>	<u>\$ (32,440)</u>	<u>\$ 589,569</u>

NOTE E - PENSION PLAN

Plan Description

Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 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 a disability that is the result of an accident or injury occurring while the member was in the performance of his duties.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011 and 2010

Members joining the system after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in the 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 the District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of the plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

The District requires employees to contribute 5.0 % of earnable compensation.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011 was 10.26% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2011, the District's annual pension cost of \$10,175 to the TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% 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. The District's unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 19 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011 and 2010

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 10,175	100.00%	\$ 0
6/30/10	10,905	100.00	0
6/30/09	9,619	100.00	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 16.51% funded. The actuarial accrued liability (AAL) for benefits was \$0.1 million, and the actuarial value of assets was \$0.0 million, resulting in a UAAL of \$0.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.1 million, and the ratio of the UAAL to the covered payroll was 66.07%.

The schedule of funding progress, presented as required supplementary information 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 AAL's for benefits.

The annual required contribution 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.

Actuarial valuation date	7/1/09	7/1/07
Actuarial value of plan assets	\$ 15,000	\$ 0
Actuarial accrued liability (AAL)	93,000	N/A
Unfunded AAL (UAAL)	78,000	N/A
Funded ratio	16.51%	N/A
Covered payroll	117,000	0
UAAL as a percentage of covered payroll	66.07%	N/A

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2011 and 2010

NOTE F - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss, including general liability and workers' compensation coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE G - LEASE OBLIGATIONS

The District leases its facilities from the City of Newport, Tennessee under an operating lease expiring in January 2015. The terms of the lease provide for lease payments of \$1.00 per year.

NOTE H - RECLASSIFICATION

Certain amounts as of June 30, 2010 have been reclassified to conform with the presentation as of June 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

FUNDING PROGRESS – POLITICAL SUBDIVISION
PENSION PLAN SUPPLEMENTARY INFORMATION

June 30, 2011

Actuarial valuation date	7/1/09	7/1/07
Actuarial value of plan assets	\$ 15,000	\$ 0
Actuarial accrued liability (AAL)	93,000	N/A
Unfunded AAL (UAAL)	78,000	N/A
Funded ratio	16.51%	N/A
Covered payroll	117,000	0
UAAL as a percentage of covered payroll	66.07%	N/A

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 went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

Year Ended June 30, 2011

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
OPERATING REVENUE			
Emergency telephone service charges	\$ 231,365	\$ 192,000	\$ 39,365
TECB-shared wireless charge	87,748	90,000	(2,252)
TECB-operational funding program	<u>167,153</u>	<u>135,000</u>	<u>32,153</u>
TOTAL OPERATING REVENUE	486,266	417,000	69,266
OPERATING EXPENSES			
Salaries and wages:			
Director	46,742	46,742	0
Administrative personnel	35,306	35,307	(1)
Overtime	8,407	8,500	(93)
Part-time personnel	<u>76,345</u>	<u>76,345</u>	<u>0</u>
	166,800	166,894	(94)
Employee benefits:			
Social security	10,472	10,500	(28)
Medicare	2,449	3,000	(551)
Medical insurance	32,927	32,930	(3)
Dental insurance	1,000	1,200	(200)
Retirement	10,175	10,200	(25)
Unemployment	<u>0</u>	<u>1,000</u>	<u>(1,000)</u>
	57,023	58,830	(1,807)
Contracted services:			
Advertising	269	270	(1)
Audit services	4,200	4,200	0
Contracts with private agencies	1,041	1,050	(9)
Fuel-vehicles	2,730	2,730	0
Janitorial services	2,487	2,600	(113)
Lease/Rental-office equipment	1,206	1,502	(296)
Maintenance agreements	25,583	26,535	(952)
Pest control	670	700	(30)
NCIC/TBI/TIES expenses	6,560	9,500	(2,940)

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2011

	<u>Actual</u> (Accrual basis)	<u>Budget</u> (Accrual basis)	<u>Variance</u> Over (Under)
Contracted services(continued):			
Maintenance and repairs- buildings and facilities	8,767	9,000	(233)
Maintenance and repairs- communications equipment	9,509	10,000	(491)
Maintenance and repairs-vehicles	220	225	(5)
	<u>63,242</u>	<u>68,312</u>	<u>(5,069)</u>
Supplies and materials:			
Office supplies	2,958	3,500	(542)
Custodial supplies	1,314	1,500	(186)
Data processing supplies	3,737	4,000	(263)
Postage	399	400	(1)
Small equipment purchases	1,385	10,000	(8,615)
Other supplies and materials	1,963	2,500	(537)
Utilities-electric	5,940	6,265	(325)
Utilities-gas	762	1,000	(238)
Utilities-water	327	600	(273)
Utilities-general telephone	32,000	35,770	(3,770)
Utilities-cell phones and pagers	900	900	0
	<u>51,686</u>	<u>66,435</u>	<u>(14,749)</u>
Other charges:			
Board meeting expense	33	200	(167)
Dues and memberships	672	750	(78)
Insurance	14,353	16,325	(1,972)
Public education	5,637	6,000	(363)
Service awards	0	500	(500)
Training	4,833	8,000	(3,167)
Travel	4,505	10,000	(5,495)
	<u>30,032</u>	<u>41,775</u>	<u>(11,743)</u>

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2011

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
Depreciation	<u>80,440</u>	<u>85,000</u>	<u>(4,560)</u>
TOTAL OPERATING EXPENSES	<u>449,223</u>	<u>487,246</u>	<u>(38,024)</u>
INCOME(LOSS)			
FROM OPERATIONS	37,043	(70,246)	107,290
NONOPERATING REVENUE			
Contributions from other governments	51,512	53,000	(1,488)
TECB-grants	64,565	18,000	46,565
Interest income	<u>2,791</u>	<u>10,000</u>	<u>(7,209)</u>
	<u>118,868</u>	<u>81,000</u>	<u>37,868</u>
CHANGE IN NET ASSETS	155,911	10,754	145,157
NET ASSETS AT THE BEGINNING			
OF THE YEAR	<u>1,785,042</u>	<u>1,785,042</u>	<u>0</u>
NET ASSETS AT THE END			
OF THE YEAR	<u>\$ 1,940,954</u>	<u>\$ 1,795,796</u>	<u>\$ 145,157</u>

See the accompanying independent accountants' audit report.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2011

<u>Grant Number</u>	<u>Grant Purpose</u>	<u>State Grantor</u>
N/A	GIS Mapping Maintenance	Tennessee Department of Commerce and Insurance
N/A	Rural Dispatcher Training	Tennessee Department of Commerce and Insurance
N/A	Equipment Upgrade	Tennessee Department of Commerce and Insurance

See the accompanying independent accountants' audit report.

<u>(Unexpended)</u> <u>July 1, 2010</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable</u> <u>June 30, 2011</u>
\$ 0	\$ 10,000	\$ 10,000	\$ 0
0	8,000	8,000	0
<u>(7,119)</u>	<u>0</u>	<u>46,565</u>	<u>39,445</u>
<u>\$ (7,119)</u>	<u>\$ 18,000</u>	<u>\$ 64,565</u>	<u>\$ 39,445</u>

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BOARD OF DIRECTORS

June 30, 2011

Maurice Shults
Newell Byrd
Randy Ragan
William Smallwood
Armondo Fontes
Connie Ball
Jimmy Hensley
Norman Smith
Patti Ketterman

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

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

Board of Directors
Cocke County Emergency Communications District
Newport, Tennessee

We have audited the financial statements of Cocke County Emergency Communications District, a component unit of Cocke County, Tennessee, as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated November 10, 2011. We conducted our audits 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 of America.

Internal Control Over Financial Reporting

Management of Cocke County Emergency Communications District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered Cocke County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cocke County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cocke County Emergency Communications 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 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 Coker County 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*.

However, we noted certain matters that we have reported to the management of Coker County Emergency Communications District in a separate letter dated November 10, 2011.

This report is intended solely for the information and use of management and government regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mitchell Emert & Hill

November 10, 2011