

**RHEA COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT**

Financial Statements

June 30, 2011 and 2010

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Financial Statements

June 30, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Rhea County "911" Emergency Communications District, a component unit of Rhea County, as of June 30, 2011 and June 30, 2010 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Rhea County "911" Emergency Communications District Board. Our responsibility is to express an opinion on these financial Statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 Rhea County "911" Emergency Communications District, as of June 30, 2011 and June 30, 2010, and the results of its operations and cash flows 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 December 30, 2011 on our consideration of Rhea County "911" Emergency Communications District internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. 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 their internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering 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 4 & 5 and the Schedule of Funding Progress on page 16 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 performed for the purpose of forming an opinion on the financial statements. The information on pages 17-18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Rhea County "911" Emergency Communications 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.

Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall

ARNETT, KIRKSEY, KIMSEY, SULLIVAN, LAY & HALL, PLLC
Certified Public Accountants

December 30, 2011

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Roster of Management Officials and Board Members

For the Years Ended June 30, 2011 and 2010

Management Officials:

Shane Clark	Director
Darlene Monroe	Assistant Director

Board Members:

Earl "Bo" Kaylor	Chairman
Ted Jones	Vice Chairman
Bob Piolatto	Treasurer
Billy Cranfield	Secretary
Tracy Taylor	Board Member
Sarah McDaniel	Board Member
Billy Thedford, Jr.	Board Member
Sheriff Mike Neal	Board Member
Tommy Solomon	Board Member

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

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The Board of Rhea County "911" Emergency Communications District

Management's Discussion and Analysis

June 30, 2011

The Board of Rhea County "911" Emergency Communications District (the "Board") has implemented Governmental Auditing Standards Board ("GASB") Statement No. 34, Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments, for the years ending June 30, 2011 and 2010.

Financial Statement Overview

The Balance Sheets include the assets and liabilities of the Rhea County "911" Emergency Communications District that represent available resources and required obligations, with the difference reported as net position. The change in net position is a potential indicator of the improving or deteriorating financial position of Rhea County "911". The change in net position is a function of the revenues and expenses, which are recorded in the Statements of Revenues, Expenses, and Changes in Net Position. Revenues are recorded as they are earned and expenses are recorded when incurred (regardless of cash requirements). Cash activity for the period is presented in the Statements of Cash Flows and the activity is segmented between operating, investing, and financing activities. In addition, the Notes to the Financial Statements offer additional information to provide a full understanding of the financial activity and position of Rhea County "911" Emergency Communications District.

Financial Analysis

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 973,288	\$ 864,378	\$ 750,773
Capital assets	382,117	521,339	551,094
Total assets	<u>\$ 1,355,405</u>	<u>\$ 1,385,717</u>	<u>\$ 1,301,867</u>
Current/total liabilities	<u>\$ 33,923</u>	<u>\$ 66,186</u>	<u>\$ 316</u>
Invested in capital assets	\$ 459,567	577,414	551,094
Unrestricted	939,365	798,192	750,457
Total fund equity	<u>\$ 1,398,932</u>	<u>\$ 1,375,606</u>	<u>\$ 1,301,551</u>
Operating revenues	\$ 434,570	421,446	411,524
Operating expenses	439,105	375,566	359,197
Net operating income	<u>\$ (4,535)</u>	<u>\$ 45,880</u>	<u>\$ 52,327</u>
Interest income	\$ 1,861	\$ 2,175	\$ 4,087

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Financial Statements

June 30, 2011 and 2010

Assets:

Assets added by Rhea County "911" Emergency Communications during the year included dispatch furniture and a mapping image library totaling \$37,515.

Revenues:

Operating Revenues increased 3% from 2010 to 2011. This small increase is a result of having the same sources of revenue and an increase in operational funding.

Net Assets:

Rhea County "911" Emergency Communications completed the year with net assets of \$461,922, a decrease of \$115,492 over the previous year.

Financial Activity & Plans for Future Needs

Rhea County "911" Emergency Communications intends to meet with the Road Department, and possibly other local departments, regarding sharing of mapped images with the other local services such as the Road Department. Pictometry is the mapping system for the district utilized by Rhea County "911" Emergency Communications. Equipment was also repaired due to lightning damage during the period. This expenditure was reimbursed by Rhea County 911's insurance coverage.

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT*Balance Sheets**June 30, 2011 and 2010*

	<u>2011</u>	<u>2010</u>
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	\$ 854,449	\$ 758,622
Investments	84,641	84,388
Accounts receivable	32,269	15,818
Prepaid expenses	1,929	5,550
Total Current Assets	<u>\$ 973,288</u>	<u>\$ 864,378</u>
CAPITAL ASSETS		
Building and improvements	\$ 352,784	\$ 260,929
Furniture and fixtures	91,905	89,125
Office equipment	5,108	5,108
Communications equipment	497,448	717,900
Vehicles	45,910	45,910
Construction in progress	0	91,855
Less accumulated depreciation	<u>(611,038)</u>	<u>(689,488)</u>
Net Fixed Assets	<u>\$ 382,117</u>	<u>\$ 521,339</u>
INTANGIBLE ASSETS		
Database development	\$ 132,118	\$ 97,382
Installation cost	36,036	36,036
Site preparation	4,904	4,904
Less accumulated amortization	<u>(95,608)</u>	<u>(82,247)</u>
Net Intangible Assets	<u>\$ 77,450</u>	<u>\$ 56,075</u>
TOTAL ASSETS	<u><u>\$ 1,432,855</u></u>	<u><u>\$ 1,441,792</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 26,468	\$ 62,756
Compensated absences payable	7,455	3,430
Total Liabilities	<u>\$ 33,923</u>	<u>\$ 66,186</u>
NET ASSETS		
Invested in capital assets	\$ 459,567	\$ 577,414
Unrestricted	939,365	798,192
Total fund equity	<u>\$ 1,398,932</u>	<u>\$ 1,375,606</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,432,855</u></u>	<u><u>\$ 1,441,792</u></u>

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

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Statements of Income, Expenses and Changes in Fund Equity

For the Years Ended June 30, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Emergency telephone service charge	\$ 217,676	\$ 235,153
TN Emergency Communications Board - shared wireless charge	74,125	71,783
TN Emergency Communications Board - operational funding	142,769	114,510
	<hr/>	<hr/>
Total Revenues	\$ 434,570	\$ 421,446
OPERATING EXPENSES		
Director salary	\$ 52,539	\$ 46,453
Assistant director	34,791	33,661
Social Security	5,115	4,748
Medicare	1,196	1,110
Life insurance	95	96
Medical insurance	14,212	14,075
Retirement contributions	7,143	6,718
Address/Mapping expenses	1,005	1,005
Audit services	3,500	3,500
Accounting services	800	800
Legal services	7,000	7,000
Maintenance agreements	56,293	28,583
Mapping/data base consulting	13,165	12,760
NCIC/TBI/TIES expenses	5,680	8,000
Consulting EMD	1,000	1,000
Lease/rental - office equipment	2,015	1,765
Maintenance and repair - communications equipment	2,255	1,583
Maintenance and repair - buildings and facilities	824	1,249
Maintenance and repair - office equipment	594	795
Maintenance and repair - vehicles	1,003	1,193
Fuel - vehicles	2,891	2,671
Office supplies	566	596
Postage	108	157
Small equipment purchases	2,960	643
Uniforms and shirts	3,072	0
Utilities - electric	9,153	8,294
Utilities - natural gas	466	444
Utilities - water/sewer	370	270
Utilities - general telephone	29,162	27,747
Utilities - cell phones and pagers	997	996
Bank charges	60	30
Board meeting expenses	758	964
Dues and memberships	241	241
Insurance - liability	0	350
Insurance - buildings and contents	4,150	4,766
Insurance - vehicles	929	1,067
Legal notices	376	187

(Continued)

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT*Statement of Income, Expenses and Changes in Fund Equity (Continued)**For the Years Ended June 30, 2010 and 2009*

OPERATING EXPENSES - (Continued)	<u>2011</u>	<u>2010</u>
Licenses & fees	\$ 81	\$ 25
Premiums on surety bonds	400	300
Training expenses	14,065	12,273
Travel expenses	0	549
Internet charges	2,134	2,889
Weather communication	578	635
Depreciation expense	142,002	125,511
Amortization expense	13,361	7,867
Total Operating Expenses	<u>\$ 439,105</u>	<u>\$ 375,566</u>
Operating Income (Loss)	<u>\$ (4,535)</u>	<u>\$ 45,880</u>
OTHER INCOME		
Interest income	\$ 1,861	\$ 2,175
TN Emergency Communications Board - reimbursements	26,000	26,000
Total Other Income	<u>\$ 27,861</u>	<u>\$ 28,175</u>
NET INCOME	\$ 23,326	\$ 74,055
BEGINNING FUND EQUITY	<u>1,375,606</u>	<u>1,301,551</u>
ENDING FUND EQUITY	<u>\$ 1,398,932</u>	<u>\$ 1,375,606</u>

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Statements of Cash Flow

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from line fees	\$ 418,120	\$ 422,799
Payments to suppliers for goods and services	(201,317)	(56,681)
Payments to employees for services	<u>(111,067)</u>	<u>(103,747)</u>
Net cash provided by operating activities	<u>\$ 105,736</u>	<u>\$ 262,371</u>
Cash flows from noncapital financing activities:		
State reimbursements	<u>\$ 26,000</u>	<u>\$ 26,000</u>
Net cash provided by noncapital financing activities	<u>\$ 26,000</u>	<u>\$ 26,000</u>
Cash flows from capital and related financing activities:		
Purchase of assets	<u>\$ (37,516)</u>	<u>\$ (159,698)</u>
Net cash used in capital and related financing activities	<u>\$ (37,516)</u>	<u>\$ (159,698)</u>
Cash flows from investing activities:		
Interest received	\$ 1,861	\$ 2,175
Increase of investments	<u>(254)</u>	<u>(463)</u>
Net cash provided by investing activities	<u>\$ 1,607</u>	<u>\$ 1,712</u>
Net increase in cash and cash equivalents	\$ 95,827	\$ 130,385
Cash and cash equivalents, beginning of year	<u>758,622</u>	<u>628,237</u>
Cash and cash equivalents, end of year	<u><u>\$ 854,449</u></u>	<u><u>\$ 758,622</u></u>
Reconciliation of operating revenues to net cash provided by operating activities:		
Operating income (loss)	\$ (4,535)	\$ 45,880
Adjustments to reconcile new operating revenues to net cash provided by operating activities:		
Depreciation and amortization	155,363	133,378
Changes on operating assets and liabilities:		
Accounts payable	(36,287)	62,756
Accounts receivable	(16,451)	1,353
Prepaid expenses	3,621	15,890
Compensated absences payable	<u>4,025</u>	<u>3,114</u>
Net cash provided by operating activities	<u><u>\$ 105,736</u></u>	<u><u>\$ 262,371</u></u>

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2011 and 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Rhea County "911" Emergency Communications District was established on September 13, 1990, for the purpose of providing an enhanced level of "911" service for Rhea County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. The District is a component unit of Rhea County which provides employees and operation facilities in exchange for impact payments and appoints all board members. The County has financial responsibility through the approval of the District's budget and the ability to modify fee rates.

Basis of Accounting

Rhea County "911" Emergency Communications District follows the provisions of Statement No. 34 (Statement 34) of the Government Accounting Standards Board Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a balance sheet, a statement of income, expenses and changes in fund equity, and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Net Assets

Net assets are displayed in three components:

- a. Invested in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions enabling legislation.
- c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or invested in capital assets.

Fixed Assets

Expenditures for fixed assets are recorded at historical cost. Depreciation is being computed for furniture and equipment using the 200% double declining balance method. Building and fencing are depreciated using the straight-line method. The depreciation periods are as follows:

Vehicles	5 years
Furniture and equipment	5-7 years
Building	10-40 years
Fence	15 years

Intangible Assets

Amortization of the cost of intangible assets commenced on completion of each project and when they were integrated into the operational Enhanced "911" equipment. The amortization period for the intangible asset cost is over the term of years as follows:

<u>Description</u>	<u>Cost</u>	<u>Period</u>
Database development	\$ 31,246	15 years
Installation cost	36,036	5 years
Site preparation	4,904	10 years

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2011 and 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Con't.)

Investments

Investments are stated at cost which approximates market. State statutes authorize the district to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and pooled investment funds.

Note 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three months or less, primarily with local financial institutions. At year end, all deposits were covered by federal depository insurance.

Note 3 - DEPOSITS AND INVESTMENTS

The District's investments include:

	<u>Carrying Amount</u>	<u>Market Value</u>
Community National Bank Growth Fund	\$ 23,012	\$ 23,012
Local Government Investment Pool	61,629	61,629
Total Investments	<u>\$ 84,641</u>	<u>\$ 84,641</u>

At year end, all deposits of the Rhea County "911" Emergency Communications District were covered by federal depository insurance or by collateral held by the State of Tennessee Collateral Pool for Public Deposits.

Investments in the State of Tennessee Local Government Investment Pool are valued based upon the value of pool shares. The responsibility for conducting the State's investment program resides with the State Treasurer pursuant to Tennessee Code Annotated, Section 9-4-602 and shall be exercised in accordance with the investment policy and resolutions of the State Funding Board.

Interest rate risk - In accordance with its investment policy, the Rhea County "911" Emergency Communications District manages its exposure to declines in market values by limiting the amount invested in long-term investments and bidding the amount of interest earned on savings accounts with area banks.

Credit risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs).

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2011 and 2010

Note 4 - CAPITAL AND INTANGIBLE ASSETS -

The following is a schedule of Changes to Capital and Intangible Assets for the year ending 6/30/2010:

	Beginning			Ending
	Balance	Additions	Retirements	Balance
Capital and intangible assets, being depreciated:				
Buildings & improvements	\$ 260,929	\$ 0	\$ 0	\$ 260,929
Furniture and fixtures	88,130	995	0	89,125
Office equipment	5,108	0	0	5,108
Communications equipment	625,333	92,567	0	717,900
Vehicles	45,910	0	0	45,910
Construction in Progress	91,855	0	0	91,855
Database development	31,246	66,136	0	97,382
Installation cost	36,036	0	0	36,036
Site preparation	4,904	0	0	4,904
Total capital and intangible assets being depreciated	<u>\$ 1,189,451</u>	<u>\$ 159,698</u>	<u>\$ 0</u>	<u>\$ 1,349,149</u>
Less accumulated depreciation/amortization for:				
Buildings & improvements	\$ (54,159)	\$ (9,293)	\$ 0	\$ (63,452)
Furniture and fixtures	(33,506)	(15,818)	0	(49,324)
Office equipment	(1,767)	(1,064)	0	(2,831)
Communications equipment	(439,259)	(93,770)	0	(533,029)
Vehicles	(37,480)	(3,372)	0	(40,852)
Database development	(31,246)	(10,061)	0	(41,307)
Installation cost	(36,036)	0	0	(36,036)
Site preparation	(4,904)	0	0	(4,904)
Total accumulated depreciation/amortization	<u>\$ (638,357)</u>	<u>\$ (133,378)</u>	<u>\$ 0</u>	<u>\$ (771,735)</u>
Total capital and intangible assets being depreciated/amortized	<u>\$ 551,094</u>	<u>\$ 26,320</u>	<u>\$ 0</u>	<u>\$ 577,414</u>

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2011 and 2010

Note 4 - CAPITAL AND INTANGIBLE ASSETS - (Continued)

The following is a schedule of Changes to Capital and Intangible Assets for the year ending 6/30/2011:

Capital and intangible assets, being depreciated/ amortized:	Beginning			Ending
	Balance	Additions	Retirements	Balance
Buildings & improvements	\$ 352,784	\$ 0	\$ 0	\$ 352,784
Furniture and fixtures	89,125	2,780	0	91,905
Office equipment	5,108	0	0	5,108
Communications equipment	717,900	0	(220,452)	497,448
Vehicles	45,910	0	0	45,910
Database development	97,382	34,736	0	132,118
Installation cost	36,036	0	0	36,036
Site preparation	4,904	0	0	4,904
Total capital and intangible assets being depreciated/amortized	\$ 1,349,149	\$ 37,516	\$ (220,452)	\$ 1,166,213
Less accumulated depreciation/amortization for:				
Buildings & improvements	\$ (63,452)	\$ (11,560)	\$ 0	\$ (75,012)
Furniture and fixtures	(49,324)	(11,768)	0	(61,092)
Office equipment	(2,831)	(717)	0	(3,548)
Communications equipment	(533,029)	(115,260)	220,452	(427,837)
Vehicles	(40,852)	(2,697)	0	(43,549)
Database development	(41,307)	(13,361)	0	(54,668)
Installation cost	(36,036)	0	0	(36,036)
Site preparation	(4,904)	0	0	(4,904)
Total accumulated depreciation/amortization	\$ (771,735)	\$ (155,363)	\$ 220,452	\$ (706,646)
Total capital and intangible assets being depreciated/amortized	\$ 577,414	\$ (117,847)	\$ 0	\$ 459,567

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2011 and 2010

Note 5 - RETIREMENT PLAN

Plan Description

Employees of Rhea 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 Rhea 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 <http://www.tn.gov/treasury/tcrs/PS/>

Funding Policy

Rhea County "911" Emergency Communications District requires employees to contribute 5.0 percent of earnable compensation.

Rhea 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 8.61% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Rhea 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, Rhea County "911" Emergency Communications District's annual pension cost of \$7,143 to TCRS was equal to Rhea County "911" Emergency Communications District's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (d) 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. Rhea 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 11 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2011 and 2010

Note 5 - RETIREMENT PLAN - (continued)

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$7,143	100.00%	\$0.00
June 30, 2010	\$6,718	100.00%	\$0.00
June 30, 2009	\$6,480	100.00%	\$0.00

Note 6 - COMMERCIAL INSURANCE

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, employee health and accident, and environmental. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 7 - USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Note 8 - COMPENSATED ABSENCES

The director and assistant director of Emergency Communications District are entitled to paid vacation depending on length of service and other factors. In the event of termination, the director will be paid for accumulated vacation leave. Total earned but unused vacation pay at June 30, 2011 is \$7,455.

Note 9 - RECLASSIFICATIONS

For comparability purposes, certain prior year accounts have been reclassified.

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Required Supplementary Information

For the Years Ended June 30, 2011 and 2010

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS FOR THE TCRS PLAN

As of July 1, 2009, the most recent actuarial valuation date, the plan was 84.62% percent funded. The actuarial accrued liability for benefits was \$35.5 million, and the actuarial value of assets was \$30.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$5.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.7 million, and the ratio of the UAAL to the covered payroll was 37.27%

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 AAL's 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 Liability -Entry Age (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, 2009	\$30,045	\$35,506	\$5,461	84.62%	\$14,653	37.27%
July 1, 2007	\$27,416	\$31,798	\$4,382	86.22%	\$13,595	32.23%

Schedule of Funding Progress for Rhea County General Fund 88470

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability -Entry Age (AAL) (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 1, 2009	\$30,045	\$35,506	\$5,461	84.62%	\$14,653	37.27%
July 1, 2007	\$27,416	\$31,798	\$4,382	86.22%	\$13,595	32.23%

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.

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Income and Expenses Compared to Budget

For the Year Ended June 30, 2011

	Actual	Budget	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Emergency telephone service charge	\$ 217,676	\$ 200,000	\$ 17,676
TN Emergency Communications Board - shared wireless charge	74,125	65,500	8,625
TN Emergency Communications Board - operational funding	142,769	142,791	(22)
Total Revenues	\$ 434,570	\$ 408,291	\$ 26,279
OPERATING EXPENSES			
Director salary	\$ 52,539	\$ 50,000	\$ (2,539)
Assistant director	34,791	32,960	(1,831)
Social Security	5,115	5,144	29
Medicare	1,196	1,203	7
Life insurance	95	110	15
Medical insurance	14,212	15,164	952
Retirement contributions	7,143	7,234	91
Address/Mapping expenses	1,005	2,010	1,005
Audit services	3,500	4,000	500
Accounting services	800	800	0
Legal services	7,000	7,000	0
Maintenance agreements	56,293	45,000	(11,293)
Mapping/data base consulting	13,165	15,000	1,835
NCIC/TBI/TIES expenses	5,680	8,000	2,320
Consulting EMD	1,000	1,000	0
Lease/rental - office equipment	2,015	1,800	(215)
Maintenance and repair - communications equipment	2,255	2,500	245
Maintenance and repair - buildings and facilities	824	1,500	676
Maintenance and repair - office equipment	594	1,200	606
Maintenance and repair - vehicles	1,003	1,200	197
Fuel - vehicles	2,891	2,500	(391)
Office supplies	566	1,000	434
Postage	108	200	92
Small equipment purchases	2,960	1,500	(1,460)
Uniforms and shirts	3,072	4,000	928
Utilities - electric	9,153	10,000	847
Utilities - natural gas	466	650	184
Utilities - water/sewer	370	400	30
Utilities - general telephone	29,162	30,000	838
Utilities - cell phones and pagers	997	1,100	103
Bank charges	60	0	(60)
Board meeting expenses	758	1,700	942
Dues and memberships	241	350	109
Insurance - liability	0	350	350
Insurance - buildings and contents	4,150	5,500	1,350
Insurance - vehicles	929	1,200	271
Legal notices	376	260	(116)

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT*Schedule of Income and Expenses Compared to Budget (Continued)**For the Year Ended June 30, 2011*

	Actual	Budget	Variance Favorable (Unfavorable)
OPERATING EXPENSES - (Continued)			
Licenses & fees	\$ 81	\$ 50	\$ (31)
Premiums on surety bonds	400	400	0
Training expenses	14,065	20,000	5,935
Travel expenses	0	500	500
Internet charges	2,134	3,600	1,466
Weather communication	578	675	97
Depreciation expense	142,002	110,760	(31,242)
Amortization expense	13,361	0	(13,361)
Total Operating Expenses	<u>\$ 439,105</u>	<u>\$ 399,520</u>	<u>\$ (39,585)</u>
Operating Income	<u>\$ (4,535)</u>	<u>\$ 8,771</u>	<u>\$ (13,306)</u>
OTHER INCOME			
Interest income	\$ 1,861	\$ 2,000	\$ (139)
TN Emergency Communications Board - reimbursements	26,000	26,000	0
Total Other Income	<u>\$ 27,861</u>	<u>\$ 28,000</u>	<u>\$ (139)</u>
NET INCOME	<u><u>\$ 23,326</u></u>	<u><u>\$ 36,771</u></u>	<u><u>\$ (13,445)</u></u>

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CERTIFIED VALUATION ANALYSTS

**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
Rhea County "911" Emergency Communications District
Evansville, Tennessee

We have audited the financial statements of Rhea County "911" Emergency Communications District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 30, 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 Rhea 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 the Rhea County "911" Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rhea County "911" 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 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 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 Rhea 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2011-1.

The Rhea County "911" Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Rhea County "911" Emergency Communications District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and the use of the Board of Directors and management of Rhea County "911" Emergency Communications District and the Department of Audit of the State of Tennessee Division of County Audit and is not intended to be and should not be used by anyone other than these specified parties.

Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall

ARNETT, KIRKSEY, KIMSEY, SULLIVAN, LAY & HALL, PLLC

Certified Public Accountants

December 30, 2011

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Rhea County "911" Emergency Communications District.
2. One instance of noncompliance was identified during the audit of the financial statements.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

NONCOMPLIANCE 2011-1

CONDITION: Several account balances exceeded the adopted budget.

CRITERIA: Tennessee Code Annotated, Section 7-86-120 requires that all expenses be at or below budgetary amounts for the fiscal year.

EFFECT: Revenues & Expenses do not accurately reflect the intended business operations as per the adopted budget.

RECOMMENDATION: Management should either review the budget more frequently or monitor individual accounts more closely.

RESPONSE: Steps will be taken to ensure that all expense amounts are within the fiscal year adopted budget amounts. Management states that they will continue to review the budget at all Board meetings to help ensure the budget stays within actual revenues and expenses

C. SUMMARY OF PRIOR AUDIT FINDINGS

1. The budgetary financial statement reflected several amounts that exceeded the adopted budget, reported again this year as NONCOMPLIANCE 2011-1.