

McMinn County Emergency Communications District

**Financial Statements with Accompanying Information
Year Ended June 30, 2012**

with
Independent Auditors' Report

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

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Independent Auditors' Report

Board of Directors
McMinn County Emergency Communications District
Athens, Tennessee

We have audited the accompanying balance sheet of the McMinn County Emergency Communications District (the "District"), a component unit of McMinn County, Tennessee, as of June 30, 2012, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 District as of June 30, 2012, and the changes in financial position and its 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 November 6, 2012, on our consideration of the 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 audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the schedule of funding progress for the OPEB plan on page 19 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 the 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 response 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 an opinion on the basic financial statements that collectively comprise the District's financial statements as a whole. The accompanying information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of revenues and expenses compared to budget on pages 20 thru 22 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The schedule of insurance in force on page 23 and the roster of officials on page 24 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

HG & A Associates, P.C.

November 6, 2012

McMinn County Emergency Communications District

1107 S. Congress Parkway, Athens, Tennessee 37303-2403
(423) 745-7698 Fax (423) 744-1607

MANAGEMENT'S DISCUSSION and ANALYSIS

Our discussion and analysis of the McMinn County Emergency Communications District's (the "District") financial performance provides an overview of the District's activities for the year ended June 30, 2012. Please read it in conjunction with the District's financial statements, as listed in the table of contents.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The balance sheet and the statement of revenues, expenses and changes in net assets provide information about the District as a whole and present a long-term view of the District's finances.

THE BALANCE SHEET AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

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 balance sheet and the statement of revenues, expenses, and changes in net assets report information about the District and about its activities that help answer this question. These statements include all assets and liabilities using the accrual basis of 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 them. You can think of the District's net assets - the difference between assets and liabilities - as one way to measure the District's 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.

CONDENSED BALANCE SHEET

The analysis below focuses on the net assets and changes in net assets of the District.

	<u>2012</u>	<u>2011</u>
Current assets	\$ 1,341,395	1,188,533
Capital assets	<u>1,094,265</u>	<u>1,081,508</u>
Total Assets	\$ <u>2,435,660</u>	<u>2,270,041</u>
Current liabilities	\$ 20,125	23,198
Noncurrent liabilities	<u>3,516</u>	<u>2,459</u>
Total Liabilities	<u>23,641</u>	<u>25,657</u>
Net assets:		
Invested in capital assets	1,094,265	1,081,508
Unrestricted	<u>1,317,754</u>	<u>1,162,876</u>
Total Net Assets	<u>2,412,019</u>	<u>2,244,384</u>
Total Liabilities and Net Assets	\$ <u>2,435,660</u>	<u>2,270,041</u>

The District's net assets increased by approximately 7.5% during the current year while unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations, increased by approximately 13.3%.

Revenues, Expenses and Changes in Net Assets are as follows:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>2012</u>	<u>2011</u>
Revenues:		
Emergency telephone charges	\$ 224,710	190,570
Tennessee ECB shared wireless charges	121,658	128,138
Tennessee ECB operational funding	<u>188,875</u>	<u>188,855</u>
Total operating revenues	535,243	507,563
Total operating expenses	<u>1,034,945</u>	<u>900,742</u>
Operating loss	(499,702)	(393,179)
Non-operating revenues (expenses)	<u>667,337</u>	<u>562,717</u>
Change in net assets	167,635	169,538
Net assets – beginning of year	<u>2,244,384</u>	<u>2,074,846</u>
Net assets – end of year	\$ <u>2,412,019</u>	<u>2,244,384</u>

The operations of the District (a component unit of McMinn County, Tennessee) are primarily funded as follows:

	<u>2012</u>	<u>2011</u>
Emergency telephone surcharges	18.7%	17.1%
State of Tennessee shared wireless fee	10.1%	12.0%
TECB operational funding	15.7%	17.6%
Contributions from McMinn County Government	24.8%	31.3%
TECB – grants and reimbursements	11.8%	15.0%
Contributions from other local governments and agencies	17.4%	4.3%
Interest income	0.2%	0.3%
Rental income	<u>1.3%</u>	<u>1.7%</u>
Total funding	<u>100.0%</u>	<u>100.0%</u>

Operational costs for the E911 Center were \$1,034,945 for the fiscal year ended June 30, 2012, which was approximately a 14.9% increase from the prior year. The primary increase in these operating costs was the additional wages and related costs from adding the City of Athens dispatch services in mid-December 2011.

CAPITAL ASSETS

At the fiscal year ended June 30, 2012, the District had \$1,094,265 in capital assets, an increase of 1.2% from last year's balance of \$1,081,508. This change is related to the acquisition of equipment and furnishings in regard to the start of dispatch services for the City of Athens in mid-December of 2011 and other system upgrades totaling \$141,122 less current year depreciation expense of \$128,365. Additional information concerning the capital assets of the District can be found on page 18 of this report.

DEBT

At the fiscal year end, the District had no outstanding debt and does not anticipate the need for issuing any debt in the next fiscal year.

BUDGETS

In order to prevent budget overruns, the line items of the District were amended by Board approval from \$1,017,965 to \$1,096,765. The changes were primarily in regards to hiring additional dispatchers due to consolidation of services with the City of Athens in mid-December of 2011.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's future budget plans will take into account the consolidation of services with the City of Athens that began in mid-December of 2011 at an annual contract price of \$238,000. Future budget plans will also take into account expected continued operational support through funding of the State of Tennessee's Emergency Communications Board.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This 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 questions about this report or need additional financial information, contact the Executive Director of the McMinn County Emergency Communications District, 1107 S. Congress Parkway, Athens, Tennessee 37303-2403.

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Balance Sheet

June 30, 2012

Assets

Current assets:

Cash	\$ 1,288,153
Accounts receivable	53,242
Total current assets	1,341,395

Capital assets:

Land	99,557
Building and improvements	785,551
Equipment and furnishings	1,310,172
Vehicles	46,305
	2,241,585
Less: allowance for depreciation	1,147,320

1,094,265

\$ 2,435,660

Liabilities and Net Assets

Current liabilities:

Accrued vacation pay	\$ 19,932
Due to McMinn County general fund	193
Total current liabilities	20,125
Other net postemployment benefit liability	3,516
Total liabilities	23,641

Net assets:

Invested in capital assets	1,094,265
Unrestricted net assets	1,317,754
Total net assets	2,412,019
	\$ 2,435,660

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

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2012

Operating revenue:	
Emergency telephone surcharge	\$ 224,710
State Emergency Communications Board - shared wireless charge	121,658
TECB - operational funding	188,875
	<u>535,243</u>
Operating expenses:	
Salaries and wages	553,786
Employee benefits	156,774
Contracted services	101,237
Supplies and materials	41,666
Depreciation	128,365
Other charges	53,117
Total operating expense	<u>1,034,945</u>
Operating loss	<u>(499,702)</u>
Nonoperating revenue (expense):	
Rent - office space	16,000
Interest income	2,423
Contributions from primary government	297,783
Contributions from other governments and agencies	208,835
TECB - grants and reimbursements	142,296
Total nonoperating revenue (expense)	<u>667,337</u>
Change in net assets	167,635
Total net assets - beginning of year	<u>2,244,384</u>
Total net assets - end of year	<u>\$ 2,412,019</u>

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

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Statement of Cash Flows

For the Year Ended June 30, 2012

Cash flows from operating activities:	
Cash received from customers	\$ 519,420
Cash payments for goods and services	(175,052)
Cash payments for employees and related benefits	<u>(712,542)</u>
Net cash used by operating activities	<u>(368,174)</u>
Cash flows from noncapital financing activities:	
Contributions from primary government	297,783
Contributions from other governments and agencies	208,835
TECB - grants and reimbursements	<u>142,296</u>
Net cash provided by noncapital financing activities	<u>648,914</u>
Cash flows used by capital and related financing activities:	
Acquisition of equipment	<u>(141,122)</u>
Cash flows provided by investing activities:	
Interest received	<u>2,423</u>
Net increase in cash	142,041
Cash - beginning of the year	<u>1,146,112</u>
Cash - end of the year	<u><u>\$ 1,288,153</u></u>

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Statement of Cash Flows (continued)

For the Year Ended June 30, 2012

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ <u>(499,702)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	128,365
Rent - office space	16,000
Changes in operating assets and liabilities:	
Increase in accounts receivable	(15,823)
Decrease in prepaid expenses	5,002
Decrease in accrued vacation pay	(3,039)
Increase in other net postemployment benefit liability	1,057
Decrease in due to McMinn County general fund	<u>(34)</u>
Total adjustments	<u>131,528</u>
Net cash used by operating activities	<u><u>\$ (368,174)</u></u>

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

McMINN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2012

1. Summary of Significant Accounting Policies

(a) Nature of Business

The McMinn County Emergency Communications District (the “District”), commonly referred to as E-911, was established to provide services under the Emergency Communications District Law, Tennessee Code Annotated, Chapter 86. The District was created by a resolution of the McMinn County Commissioners on December 19, 1988, after adoption by public referendum on November 8, 1988. Under its enabling legislation, the District is a municipality with powers of perpetual success but without any power to levy or collect taxes. Charges for services authorized shall not be considered as taxes. The powers of the District are vested in and exercised by a majority of the members of the board of directors of the District who are appointed by the District’s primary government.

The District is a discretely presented component unit of McMinn County, Tennessee and the financial statements are presented in both the District’s separate financial report and within the McMinn County, Tennessee report. The District is considered a discretely presented component unit of McMinn County, Tennessee as defined under the criteria set forth in Governmental Accounting Standards Board Statement 14 because the District would be unable to issue debt without going through McMinn County, Tennessee.

(b) Basis of Accounting

The financial statements of the District are reported on the accrual basis of accounting. In accordance with the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts issued by the Tennessee Office of the Comptroller of the Treasury, the District is required to apply all pronouncements of the Governmental Accounting Standards Board (GASB) and pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 that do not conflict with those of the GASB. After November 30, 1989 the District is required to follow only GASB guidance and not follow any FASB guidance issued after that date.

(c) Receivables

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2012, no allowance for uncollectible accounts was considered necessary. The accounts receivable – surcharges balance of \$53,242 primarily represents amounts due from AT&T Mobility for the surcharge on McMinn County telephone services for the month of June 2012 and wireless commissions due from the State of Tennessee for May and June of 2012.

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2012

1. Summary of Significant Accounting Policies (continued)

(d) Capital Assets

Capital assets, which consist of property and equipment, are defined as assets with an initial, individual cost of more than \$1,000 and an estimated life in excess of two years. Such assets are stated at historical cost, less accumulated depreciation computed on the straight-line method over their estimated useful lives as follows: buildings - forty years; equipment, furnishings and vehicles - five to seven years; building improvements - twenty-five years. When assets are retired or otherwise disposed of, the average cost is removed from the asset account and the accumulated depreciation account. Removal cost, less any salvage value, is charged or credited to the accumulated depreciation account. The cost of maintenance and repairs is charged to earnings as incurred.

(e) Compensated Absences

The District has adopted the policy of McMinn County, Tennessee, which permits its employees to accumulate, in varying amounts, earned but unused vacation and sick pay benefits. Annual vacation time accrues at a rate of ½ day per month during the first twelve months of employment, one day per month for employment years two through ten and at one day and a half for each year thereafter. Employees cannot accumulate time in excess of 24 days.

All accumulated vacation time is paid to employees unless they are terminated for cause. Sick leave accrues at the rate of ½ day per month, during the first five years of continuous employment and increases to one day per month in the sixth year. There are no limits on the amount of sick leave that can be accumulated, but no payment is made to employees for unused sick leave unless they meet the requirements for retirement incentives. This retirement incentive is met when an employee meets the requirement under the Tennessee Consolidated Retirement System of a full service retirement. For those employees meeting that requirement payment for unused sick leave will be paid at the rate of one-half the minimum substitute teacher pay paid by the McMinn County Board of Education.

\$19,932 has been recorded as accrued vacation pay for this reporting period.

(f) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(continued)

McMINN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements June 30, 2012

1. Summary of Significant Accounting Policies (continued)

(g) Tax Status

Because the District was incorporated as a political subdivision under the Tennessee Emergency Communications District Law, it is exempt from federal income taxes.

2. Budgetary Control

The District's Board approves the annual budget prepared by the E-911 Director based upon anticipated revenues and estimated operating expenses. In accordance with the level of control established by the Tennessee Comptroller of the Treasury, operating expenses may not exceed the amount budgeted in each line item. The District does not budget depreciation, as its intent is to budget the use of anticipated, available resources. It does, however, budget for acquisitions of certain capital assets. Budgeted expenses may be amended, as needed to meet changing needs.

3. Cash

In September 1989, the members of the District's board of directors voted to have the McMinn County, Tennessee finance department handle the accounting functions of the District. Therefore, the McMinn County Trustee collects funds for the District and invests those funds to maximize interest earnings, less the appropriate Trustee commission for collection of the funds. The McMinn County office of the Director of Finance is responsible for the accounting function of the District's activities.

Custodial credit risk for the District's deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2012, the Trustee maintains the \$1,288,153 balance in commingled accounts with other McMinn County funds. As required by state statutes, the Trustee is following the District's policy requiring financial institutions holding its deposits to be members of the Tennessee Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. At June 30, 2012 none of the District's funds held by the Trustee was exposed to credit risk.

4. Revenue

The District's primary sources of revenues are from surcharges imposed on McMinn County telephone services (net of administrative fees paid to the telephone companies) and from surcharges imposed on cell phone services, which are collected and disbursed by the Tennessee Emergency Communications Board.

McMINN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements June 30, 2012

5. 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. In order to minimize its costs, the District insures itself against potential losses associated with these risks through the purchase of commercial insurance. There were no significant reductions in limits of liability or coverage of insurance policies in effect during 2012 from those in effect in 2011 and 2010. In addition, there have been no losses in excess of insurance coverage during the past three fiscal years.

6. Employee Retirement Plan

Plan Description

Certain 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). The participation in this Plan is through the District's limited association with McMinn County government.

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 McMinn County 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 the 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/>.

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2012

6. Employee Retirement Plan (continued)

Funding Policy, Annual Pension Cost, Trend Information and Funding Status and Funding Progress

Information for these areas is not specifically available for the District but is included within the aggregated information for McMinn County Government as a whole. Please find this information for McMinn County within its comprehensive annual financial report for the year ended June 30, 2012.

7. Other Postemployment Benefits (OPEB)

In addition to the pension benefits described above, certain District employees are also eligible to participate in the McMinn County's single-employer defined benefit healthcare plan. The County has adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. That statement addresses how governments should account for and report their costs and obligations related to postemployment healthcare and other pension and other nonpension benefits. Below is the information in regards to the District's participation in the Plan.

Plan Description

In addition to providing pension benefits, the County provides a portion of the health care benefits for certain retired employees under a single-employer defined benefit healthcare plan. Those with 30 years of service with 10 of those years with McMinn County are eligible for a reimbursement of \$1,352 for 5 years or until they are Medicare eligible, if earlier. In addition, a retiree must have met the age requirement of 55 years with 10 years of service with McMinn County to be eligible for the County's health insurance until they are Medicare eligible and must pay 100 percent of the premium. A stand-alone financial report for that plan is not issued.

The County is reimbursed by the retirees using a formula based on date of retirement, years of service, and the County's computed cost for active employees. During the fiscal year ended June 30, 2012, the County made no contributions for health care benefits. The County will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the County will not fund the remaining portion of the annual required contribution.

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements

June 30, 2012

7. Other Postemployment Benefits (OPEB) (continued)

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Based on the last available actuarial valuation at July 1, 2010, the following table shows the components of the District's portion of the County's annual OPEB cost, the amounts contributed to the Plan, and changes in the net OPEB obligation.

Annual required contribution	\$ 1,069
Interest on net OPEB obligation	98
Adjustment to annual required contribution	<u>(110)</u>
Annual OPEB cost	1,057
Contributions made	<u>-</u>
Increase in net OPEB obligation	1,057
Net OPEB obligation – beginning of year	<u>2,459</u>
Net OPEB obligation – end of year	\$ <u><u>3,516</u></u>

The District's portion of the County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last available valuation was as follows:

Annual OPEB cost	\$ 1,069
Percentage of annual OPEB cost contributed	0.00%
Net OPEB obligation	\$ 3,516

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2012

7. Other Postemployment Benefits (OPEB) (continued)

Funding Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the County's Plan was 0% funded. The actuarial accrued liability for benefits was \$6,087, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,087. The County will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the County will not fund the remaining portion of the annual required contribution.

Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends.

Amounts determined regarding the funded status of the Plan and the annual required contributions of the County and Plan members are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over the time relative to the actuarial accrued liabilities.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit costs between the County and Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 valuation for the Plan, the entry age normal cost method and a funding rate of 4 percent was used. Other key assumptions were: 2010 trend rates – medical of 9%, ultimate medical cost trend rate of 5%, projected annual increase in payroll of 2.5%, UAAL amortization period of 30 years and 2018 as the year of ultimate medical trend rate is reached.

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2012

8. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

<u>Cost</u>	Balance July 1, 2011	Additions	Retirements and Transfers	Balance June 30, 2012
Land	\$ 99,557	-	-	99,557
Buildings and improvements	785,551	-	-	785,551
Equipment and furnishings	1,169,050	141,122	-	1,310,172
Vehicles	65,814	-	(19,509)	46,305
	<u>\$ 2,119,972</u>	<u>141,122</u>	<u>(19,509)</u>	<u>2,241,585</u>
 <u>Accumulated Depreciation</u>				
Buildings and improvements	\$ 197,190	99,314	-	296,504
Equipment and furnishings	788,915	24,302	-	813,217
Vehicles	52,359	4,749	(19,509)	37,599
	<u>\$ 1,038,464</u>	<u>128,365</u>	<u>(19,509)</u>	<u>1,147,320</u>

9. Subsequent Events

The District has evaluated events and transactions subsequent to the balance sheet date through November 6, 2012, which is the date the financial statements were available to be issued.

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Required Supplementary Information
June 30, 2012

Schedule of Funding Progress for the OPEB Plan

Actuarial Valuation Date July 1	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	\$ -	6,087	6,087	0.00%	\$ N/A	N/A

(only actuarial evaluation completed to date for the District)

Supplementary Information

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget
For the Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Emergency telephone surcharges	\$ 190,000	224,710	34,710
State Emergency Communications			
Board - shared wireless charge	146,000	121,658	(24,342)
TECB - operational funding	161,000	188,875	27,875
	<u>497,000</u>	<u>535,243</u>	<u>38,243</u>
Operating expenses:			
Salaries and wages:			
Director	62,515	62,515	-
Administrative personnel	46,500	46,424	76
Dispatchers	381,200	381,198	2
Overtime pay	27,500	27,460	40
Part-time personnel	24,500	23,994	506
Vacation and holiday pay	35,800	12,195	23,605
	<u>578,015</u>	<u>553,786</u>	<u>24,229</u>
Employee benefits:			
Social security and medicare	41,500	41,165	335
Life insurance	1,500	1,181	319
Medical insurance	83,500	79,951	3,549
Unemployment compensation	3,500	3,101	399
Retirement contributions	32,000	31,376	624
	<u>162,000</u>	<u>156,774</u>	<u>5,226</u>
Contracted services:			
Addressing/mapping	4,500	1,703	2,797
Advertising	2,500	2,439	61
Audit services	5,500	5,500	-
Fees paid to service providers	40,000	37,867	2,133
Janitorial services	6,000	5,280	720
Legal services	1,800	1,075	725
Maintenance agreements	21,300	18,672	2,628
NCIC/TBI/TIES	14,500	14,150	350
Consultant fees	300	-	300
Pest control	400	300	100
Lease/rental:			
Office equipment	1,500	874	626

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget (continued)
For the Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Contracted services (continued):	\$		
Maintenance and repairs:			
Communications equipment	3,200	3,110	90
Facilities	8,500	8,218	282
Office equipment	-	-	-
Vehicles	2,000	1,231	769
Fuel	3,500	3,252	248
	<u>115,500</u>	<u>103,671</u>	<u>11,829</u>
Supplies and materials:			
Office	3,000	1,784	1,216
Custodial	2,000	2,000	-
Data processing	600	524	76
Postage	500	49	451
Small equipment purchases	12,000	11,883	117
Uniforms	2,000	1,492	508
Utilities:			
Electric	20,000	17,914	2,086
Gas	2,000	791	1,209
Water	1,000	894	106
General telephone	7,500	7,335	165
Cellular phone	2,600	2,510	90
Other	110,000	109,656	344
	<u>163,200</u>	<u>156,832</u>	<u>6,368</u>
Other charges:			
Bank charges	11,000	10,807	193
Board meetings	2,000	1,006	994
Dues and memberships	1,500	536	964
Employee testing	500	500	-
Insurance:			
Workers' compensation	1,500	1,334	166
Liability	12,000	11,111	889
Legal notices	250	16	234
Training	3,000	2,885	115
Travel	3,300	3,214	86
Other	43,000	42,838	162
	<u>78,050</u>	<u>74,247</u>	<u>3,803</u>
Total operating expenses	<u>1,096,765</u>	<u>1,045,310</u>	<u>51,455</u>
Excess of operating expenses over operating revenues	<u>(599,765)</u>	<u>(510,067)</u>	<u>89,698</u>

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget (continued)
For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Nonoperating revenues:			
Rent - office space	\$ 15,000	16,000	1,000
Interest	4,084	2,423	(1,661)
Contributions from primary government	297,783	297,783	-
Contributions from other governments and agencies	79,098	208,835	129,737
TECB - grants and reimbursements	<u>100,000</u>	<u>142,296</u>	<u>42,296</u>
Total nonoperating revenues	<u>495,965</u>	<u>667,337</u>	<u>171,372</u>
Excess of revenues over (under) expenditures	\$ <u>(103,800)</u>	157,270	<u>261,070</u>
Adjustments to agree with financial statement - "Statement of Revenue, Expenses and Changes in Net Assets":			
Expenses unbudgeted:			
Depreciation		(128,365)	
Prepaid maintenance recognition		(2,392)	
Capital equipment payments		<u>141,122</u>	
Change in net assets		<u>\$ 167,635</u>	

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Insurance in Force

June 30, 2012

<u>Description</u>	<u>Coverage</u>
Property:	
Risks of Direct Physical Loss Subject to Normal Conditions and Exclusions:	
Business personal property - \$250 property deductible; \$1,000 earthquake and flood deductible:	
Real property - Athens, TN	\$ 666,855 limit
Real property - Etowah, TN (Guaranteed replacement cost)	312,658 limit
Personal property - Athens, TN	562,432 limit
Personal property - Etowah, TN (Replacement cost)	337,459 limit
Software	250,000 limit
Money and securities	10,000 limit
Extra expense	12 months actual loss sustained
Loss of income	12 months actual loss sustained
Automobile Liability:	
Liability - any auto	1,000,000
Uninsured/underinsured motorists	300,000
Medical payments	5,000
General Liability:	
General aggregate limit	2,000,000
Products/completed operations aggregate limit	2,000,000
Personal and advertising injury each occurrence limit	1,000,000
Fire damage legal liability (any one fire)	1,000,000
Each occurrence or medical incident limit	1,000,000
Medical expense limit (any one person)	5,000
Management Liability:	
Each claim limit (injunctive relief) (each wrongful act)	25,000 1,000,000
Annual aggregate limit	2,000,000

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Roster of Officials

June 30, 2012

Board of Directors

Mike Jones - Chairman
Joe Riley - Vice Chairman
Murry Willis - Secretary
Russ Duggan - Treasurer
Scott Curtis
Mark Lowry
Harold Masengil
Chris Webb

Management

Marvin Kelley - E911 Director



**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Directors
McMinn County Emergency Communications District
Athens, Tennessee

We have audited the financial statements of the McMinn County Emergency Communications District (the "District"), a component unit of McMinn County, Tennessee, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 6, 2012. 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the 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 or 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 the 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 the 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 for the information and use of the Board of Directors, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

HGA Associates, P.C.

November 6, 2012