

**SCOTT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Huntsville, Tennessee

Financial Statements

June 30, 2012

C O N T E N T S

June 30, 2012

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Introductory Section

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT

ROSTER OF THE BOARD OF DIRECTORS

June 30, 2012

Name	Position
Wayne Shoemaker	Part-Time Director
Robert Melhorn	Chairman
Charlie May	Vice-Chairman
Larry Crowley	Secretary/Treasurer
Hertis Phillips	Member
Willie Boyatt	Member
Roger Bridges	Member
Ted Carson	Member
Larry Lay	Member
Mike Cross	Member

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of The Scott County Emergency Communications District financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012.

FINANCIAL HIGHLIGHTS

The District's net assets increased by \$102,656, as a result of this year's operations. All of this increase is treated as business-type increases.

During the year, the District had revenues of \$ 327,479, interest income of \$ 9,001, and expenses of \$ 233,824. This compares consistently to last year in which revenues were \$ 350,424, interest income of \$ 13,134 and with expenses of \$ 289,489.

We believe that this profit of \$ 102,656 will be necessary for additional equipment and upgrades during the next few years.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, the Statement of Revenue and Expenses and Change in Net Assets, and the Statement of Cash Flows. The Statement of Revenue and Expenses - Actual and Budget shows the budget and budget amendments and variances for the year.

REPORTING THE DISTRICT AS A WHOLE

Our analysis of the District, one of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps 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 is one indicator of whether its financial health is improving or deteriorating.

The District receives a fee that the local telephone company adds to the phone bills of the customers within the district and passes on to the district. In addition the State of Tennessee Emergency Communications collects funds from wireless customers through the various wireless vendors and shares these funds with the local emergency communications districts in the form of commissions and grants.

THE DISTRICT AS A WHOLE

The District's net assets increased from a year ago, increasing from \$ 1,071,979 to \$ 1,174,635. These business-type activities show a 9.58% increase for the year.

The District's total revenues decreased by 7.45 % over the prior year. This decrease is primarily the result of the equipment reimbursement grant and an decrease in interest income.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Budget was not amended during the year.

Table 1
SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Balance Sheets
June 30, 2012

	2011	2012	Increase (Decrease)
Assets			
Current Assets			
Cash in Bank	\$ 193,913	\$ 223,993	\$ 30,080
Investments	774,117	854,532	80,415
Accounts Receivable	8,282	7,916	(366)
Prepaid Insurance	4,693	4,709	16
Total Current Assets	<u>981,005</u>	<u>1,091,150</u>	<u>110,145</u>
Fixed Assets			
Equipment	464,039	480,726	16,687
Less Accumulated Depreciation	(359,840)	(382,132)	(22,292)
Net Fixed Assets	<u>104,199</u>	<u>98,594</u>	<u>(5,605)</u>
Total Assets	<u>1,085,204</u>	<u>1,189,744</u>	<u>104,540</u>
Liabilities			
Current Liabilities	13,225	15,109	1,884
Net Assets	<u>1,071,979</u>	<u>1,174,635</u>	<u>102,656</u>
Total Liabilities & Net Assets	<u>1,085,204</u>	<u>1,189,744</u>	<u>104,540</u>

Table II

	2011	2012	Increase (Decrease)
Income Statement			
June 30, 2012			
Revenue			
Telephone Service Charges	96,440	91,647	(4,793)
Shared Wireless Charges	55,142	52,341	(2,801)
Operational Funding	142,791	160,055	17,264
Other Revenue	56,051	23,435	(32,616)
Interest Income	13,134	9,001	(4,133)
Total Revenue	<u>363,558</u>	<u>336,479</u>	<u>(27,079)</u>
Expenses			
Salaries and Wages	57,141	58,040	899
Benefits	89,854	23,014	(66,840)
Contracted Services	89,955	98,074	8,119
Maintenance and Repairs	4,032	4,852	820
Supplies and Materials	2,180	3,107	927
Utilities	12,502	12,255	(247)
Other Charges	11,170	12,189	1,019
Depreciation	22,655	22,292	(363)
Total Expenses	<u>289,489</u>	<u>233,823</u>	<u>(55,666)</u>
Increase (Decrease) in Net Assets	<u>74,069</u>	<u>102,656</u>	<u>28,587</u>
Net Assets - Beginning	<u>997,910</u>	<u>1,071,979</u>	<u>74,069</u>
Net Assets - Ending	<u>\$ 1,071,979</u>	<u>\$ 1,174,635</u>	<u>\$ 102,656</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the District had \$ 480,726, invested in capital assets, automobiles, office equipment, and communications and mapping equipment.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's appointed officials considered many factors when setting the fiscal-year 2012 budget. In the case of an emergency communications district the revenue is estimated from local telephone use, funds available from the State of Tennessee Emergency Communications Board and interest income. From this the wage scale of employees can be determined along with the level of benefits that can be purchased for their benefit. Capital expenditures are planned along with all other goods and services necessary to run the district's operation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's office at Huntsville, Tennessee or call our office at 423-663-4836.

Financial Section

Dennis E. Jeffers

Certified Public Accountant

A Member of the American Institute of Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Scott County Emergency Communications District
Huntsville, Tennessee

We have audited the accompanying financial statements of the Scott County Emergency Communications District, a component unit of Scott County, Tennessee, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Scott County Emergency Communications 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Scott County Emergency Communications District as of June 30, 2012, and the changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2012, on our consideration of the Scott County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 and schedule of funding progress on pages 2 through 4 and 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Scott County Emergency Communications District's basic financial statements. The introductory section and miscellaneous section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of state awards and the supplemental information are presented for purposes of additional analysis, and is also not a required part of the financial statements. The schedule of expenditures of state awards and the supplemental information are the responsibility of management and were derived from and related 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 as a whole. The introductory and miscellaneous sections 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.

Dennis E. Jeffers CPA, PC

Oneida, Tennessee

October 5, 2012

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 223,993
Investment (certificate of deposit with 12 month maturity)	854,532
Accounts Receivable	7,916
Prepaid Insurance	<u>4,709</u>

Total Current Assets 1,091,150

Noncurrent Assets

Vehicles	24,500
Office Equipment	36,882
Communications Equipment	<u>419,344</u>

Total Capital Assets 480,726

Accumulated Depreciation (382,132)

Capital Assets Net 98,594

TOTAL ASSETS 1,189,744

LIABILITIES

Compensated Absences	13,941
Payroll Liabilities	<u>1,168</u>

TOTAL LIABILITIES 15,109

NET ASSETS

Invested in Capital Assets	98,594
Unrestricted	<u>1,076,041</u>

NET ASSETS 1,174,635

TOTAL LIABILITIES AND NET ASSETS \$ 1,189,744

The Notes to the Financial Statements are an Integral Part of These Statements.

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Statement of Revenues, Expenses, and Change in Fund Net Assets
For the Year Ended June 30, 2012

OPERATING REVENUE

Emergency Telephone Service Charges	\$ 91,647
Tennessee Emergency Communications Board-State Wireless Charge	52,341
Tennessee Emergency Communications Board -Operational Funding	160,055
TOTAL OPERATING REVENUE	<u>304,043</u>

OPERATING EXPENSES

Salaries and Wages

Director	15,500
Administrative Personnel	26,495
Other Wages Mapping	10,000
Overtime Pay	6,045
	<u>58,040</u>

Employee Benefits

Medical Insurance	16,566
Social Security	3,599
Medicare	841
Retirement	1,267
Compensated Absences	741
	<u>23,014</u>

Contracted Services

Advertising	157
Audit Services	3,500
Other Contracted Services Legal	4,200
Other Contracted Services	75,999
Fees Paid to Service Providers	14,218
	<u>98,074</u>

Maintenance and Repairs

Office Equipment	3,255
Facilities	-
Vehicles	1,597
	<u>4,852</u>

Supplies and Materials

Office Supplies	2,328
Uniforms	600
Postage	179
	<u>3,107</u>

Utilities

Wireless Line Charges	5,435
Gas	69
Telephone	6,751
	<u>\$ 12,255</u>

The Notes to Financial Statements are an Integral Part of These Statements.

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Statement of Revenues, Expenses, and Change in Fund Net Assets (Continued)
For the Year Ended June 30, 2012

Other Charges	
Insurance Liability	\$ 7,731
Dues and Memberships	189
Travel	3,415
Training	675
Board Meeting	48
Other Charges	131
	<u>12,189</u>
Depreciation	<u>22,292</u>
Total Operating Expenses	<u>233,823</u>
Operating Income (Loss)	70,220
Non-Operating Revenue (Expenses)	
Reimbursement	13,435
Emergency Communications Board Mapping Grant	10,000
Interest Income	9,001
Total Non-Operating Revenue (Expenses)	<u>32,436</u>
Increase (Decrease) in Net Assets	<u>102,656</u>
Net Assets - Beginning of Period	<u>1,071,979</u>
Net Assets - End of Period	<u><u>\$ 1,174,635</u></u>

The Notes to Financial Statements are an Integral Part of These Statements.

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012**

Cash Flows From Operating Activities:	
Cash Received from Surcharges and Other Revenue	\$ 304,410
Cash Payments to Suppliers for Goods and Services	(130,494)
Cash Paid for Payroll, Taxes and Related Benefits	<u>(79,170)</u>
Net Cash Provided By Operating Activities	94,746
Cash Flows From Noncapital Financing Activities	
Operating Grants & Reimbursements	<u>23,435</u>
Net Cash Provided by Noncapital Financing Activities	23,435
Cash Flows From Capital and Related Financing Activities	
Purchase of Capital Assets	<u>(16,688)</u>
Net Cash Provided by Capital and Related Activities	(16,688)
Cash Flows From Investing Activities:	
Interest Received	9,001
Investment in Certificates of Deposit	<u>(80,414)</u>
Net Cash Provided from Investing Activities	(71,413)
Net Increase (Decrease) in Cash and Cash Equivalents	30,080
Cash and Cash Equivalents at Beginning of Period	<u>193,913</u>
Cash and Cash Equivalents at End of Period	<u>223,993</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Net Income from Operating Activities	70,220
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	22,292
Change in Assets and Liabilities	
Increase in Prepaid Insurance	(17)
Increase in Payroll Taxes	1,143
Increase in Compensated Absences	741
Decrease in Accounts Receivable	<u>367</u>
Net Adjustments	24,526
Net Cash Provided by Operating Activities	\$ 94,746

The Notes to Financial Statements are an Integral Part of These Statements.

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

1. Summary of Significant Accounting Policies:

The Financial Reporting Entity - The Scott County Emergency Communication District was formed under Tennessee Code Annotated Title 7 Section 86 Emergency Communications Districts. The district is a component unit of Scott County, Tennessee because the district is legally separate, the county court appoints the members of the board of directors of the district and the court can impose its will by changing the telephone surcharge rate and the county court can impose its will on the district by the approval of debt and borrowings.

Method of Accounting – The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the District, the reporting entity. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Income Taxes - The District is exempt from Federal Income Taxes because of its creation by the Scott County Government.

Revenue – Operating revenues consist primarily from Highland Telephone Cooperative authorization to charge residents of Scott County \$.65 and businesses \$2.00 per month. As of June 30, 2012, the district had 6,085 residential customers and 1,876 business customers. Wireless communications income is from a share of state collected revenues from cell phone usage based upon population. All other revenues and expenses are reported as nonoperating revenues and expenses.

Cash - The organization treats as cash; checking account balances, savings accounts, certificates of deposit with original maturities of less than three months and cash on hand.

Cash Management - Cash temporarily idle during the year was invested in a savings account and certificates of deposit. The certificates of deposit have maturities of 12 months. The Communications District earned \$9,001 on all investments for the year ended June 30, 2012.

Deposits and Investments – All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure the debt of these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect these accounts that are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the purpose of credit risk disclosure.

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012
(continued)

For deposits with financial institutions that do not participate in the bank collateral pool, the 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. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the entity. Scott County Emergency Communications District has an agreement with one bank for balances above FDIC limits.

The carrying value of the districts deposits were \$1,056,410, and the bank balance was \$1,093,780. Of that amount, \$ 843,152 was insured by FDIC insurance, and the remainder was collateralized by a third party in the district's name.

Compensated Absences – It is the district’s policy to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave since the district does not have a policy to pay any amount when employees separate from service with the district. Accumulated vacation pay is reported as expenditure and a liability of the fund when material and accumulated.

Fixed Assets -- Fixed assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated life in excess of one year. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated assets are recorded at the estimated fair market value at the date of donation. The Straight Line method of depreciation is used to calculate depreciation over a five year period. Depreciation expense for the current year was \$22,292. Although mapping expenses have a useful life of more than one year, the life is very difficult to measure. Mapping expenses, therefore, are treated as expenses as incurred.

Fixed Assets

	Balances	Additions	Dispositions	Balance
	6/30/2011			6/30/2012
<u>Equipment</u>				
Mapping Equipment	\$ 20,195	16,687	-	\$ 36,882
Communication Equipment	419,344	-	-	419,344
Vehicles	24,500	-	-	24,500
	<u>464,039</u>	<u>16,687</u>	<u>-</u>	<u>480,726</u>
<u>Accumulated Depreciation</u>				
Mapping Equipment	(12,142)	(3,482)	-	(15,624)
Office Equipment	-			-
Communication Equipment	(323,781)	(18,227)	-	(342,008)
Vehicles	(23,917)	(583)	-	(24,500)
	<u>(359,840)</u>	<u>(22,292)</u>	<u>-</u>	<u>(382,132)</u>
Net Investment in Fixed Assets	<u>\$ 104,199</u>	<u>(5,605)</u>	<u>-</u>	<u>\$ 98,594</u>

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

(continued)

Risk Management - The District is exposed to various risks of losses related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained commercial insurance to manage these risks. Management does not believe any claims will exceed the insurance amount. Software coverage is \$ 250,000; auto coverage includes Collision and Comprehensive coverage with deductibles of \$ 250 and \$ 500 respectively, and general liability of \$ 2,000,000 each occurrence and \$ 5,000,000 aggregate with \$ 5,000 medical payments. The settlements have not exceeded insurance amounts in the past three years.

Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end. On or before May 31 of each year, the proposed budget is prepared and presented to the board for review. The board adopts the budget and amends the budget throughout the year as needed.

The District is required by state statute to adopt the annual budget. The annual budget is prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Board of Directors and any authorized revisions. Unencumbered appropriations lapse at the end of each year.

The budgetary level of control is at the line-item level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee.

The Districts budgetary basis of accounting is on the modified cash basis. A reconciliation to GAAP is presented on the face of the budgetary schedule.

Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could be different from those estimates.

2. The Officers and Employees of the District Bonds

The District maintains an insurance policy against officers and employee forgery or alteration as required by TCA 7-86-119 with policy limits of \$12,500; theft of money and securities with policy limits of \$ 100,000; employee dishonesty with a policy limit of \$250,000; and counterfeit United States or Canadian paper currency with a policy limit of \$ 100,000.

3. Accounting Standards

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the District's financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. The District has elected not to follow subsequent private-sector guidance.

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(continued)

4. Pension Plan

Plan Description

Employees of Scott County E911 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 became 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 Scott County E911 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

Scott County E911 District requires employees to contribute 5.0 percent of earnable compensation.

Scott County E911 District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 2.65 % of annual covered payroll. A catch up of \$ 68,785 was contributed in fiscal year ending June 30, 2011. The contribution requirement of plan members is set by state statute. The contribution requirement for Scott County E911 District is established and may be amended by the TCRS Board of Trustees.

For the year ending June 30, 2012, Scott County E911 District's annual pension cost of \$70,052 to TCRS was equal to Scott County E911 District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen 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 increases in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Scott County E911 District's

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

(continued)

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 0 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Fiscal Year Ending	Annual Pension Cost	Percentage Of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 1,267	100.00%	\$0.00
June 30, 2011	68,785	100.00%	\$0.00
June 30, 2010	0	100.00%	\$0.00

Funding Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 1.00 percent funded. The actuarial accrued liability for benefits was \$0.00 million, and the actuarial value of assets was \$0.00 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.00 million. The covered payroll of active employees covered by the plan) \$0.00 million, and the ratio of the UAAL to the covered payroll was 0.00 percent.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets <u>(a)</u>	Actuarial Liability (AAL) -Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b)-(a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage Of Covered Payroll <u>((b-a)/c)</u>
July 1, 2011	\$ 0	\$ 0	\$ 0	0.00%	\$ 0	0.00%
July 1, 2009	\$ 0	\$ 0	\$ 0	0.00%	\$ 0	0.00%
July 1, 2007	\$ 0	\$ 0	\$ 0	0.00%	\$ 0	0.00%

Required Supplementary Information

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012**

Schedule of Funding Progress for Scott County E911 District

(Dollar amounts in Thousands)

Actuarial Valuation Date	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)
July 1, 2011	\$ 0	\$ 0	\$ 0	0.00%	\$ 0	0.00%
July 1, 2009	\$ 0	\$ 0	\$ 0	0.00%	\$ 0	0.00%
July 1, 2007	\$ 0	\$ 0	\$ 0	0.00%	\$ 0	0.00%

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

Supplementary Information

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES AND EXPENSES
ACTUAL AND BUDGET - (BUDGETARY BASIS) AND BUDGET
June 30, 2012**

	Budget Amounts		Actual Revenues/ Expenditures (Budgetary) Actual	Differences in Receivables, Payables, Depreciation Improvements(1)		Actual (GAAP Basis)	Variance Favorable (Unfavorable)
	Original Budget	Final Budget					
INCOME							
Telephone Surcharge	\$ 96,000	\$ 96,000	\$ 92,013	\$ (366)	\$ 91,647	\$ (3,987)	
Wireless Commission	54,000	54,000	52,341	-	52,341	(1,659)	
Emergency Communications Board Grants & Reimbursements	5,435	5,435	23,435	-	23,435	18,000	
Operational Funding	160,791	160,791	160,055	-	160,055	(736)	
Interest Income	8,000	8,000	9,001	-	9,001	1,001	
Miscellaneous Income	-	-	-	-	-	-	
Total Revenue	324,226	324,226	336,845	(366)	336,479	12,619	
EXPENSES							
Director	15,500	15,500	15,500	-	15,500	-	
Administrative Personal	26,500	26,500	26,495	-	26,495	5	
Overtime Compensation	7,500	7,500	6,045	-	6,045	1,455	
Dispatchers/Radio Operators	54,000	54,000	50,053	-	50,053	3,947	
Social Security	4,000	4,000	3,599	-	3,599	401	
Medicare	1,000	1,000	841	-	841	159	
Compensated Absences	-	-	-	741	741	-	
Medical Insurance	17,000	17,000	15,918	-	15,918	1,082	
Dental Insurance	800	800	648	-	648	152	
Retirement Contributions	3,000	3,000	1,267	-	1,267	1,733	
Addressing and Mapping	10,000	10,000	10,000	-	10,000	-	
Advertising	500	500	157	-	157	343	
Auditing Services	3,500	3,500	3,500	-	3,500	-	
Telephone Contract	28,000	28,000	25,946	-	25,946	2,054	
Legal Services	4,800	4,800	4,200	-	4,200	600	
Maintenance Agreement	16,000	16,000	14,218	-	14,218	1,782	
Office Equipment Maintenance	7,000	7,000	3,255	-	3,255	3,745	
Vehicle Maintenance	2,000	2,000	1,597	-	1,597	403	
Office Supplies	3,000	3,000	2,328	-	2,328	672	
Postage	400	400	179	-	179	221	
Uniforms	600	600	600	-	600	-	
Telephone	6,000	6,000	5,352	-	5,352	648	
Utilities-Gas	500	500	69	-	69	431	
Cell Phones and Pagers	1,500	1,500	1,399	-	1,399	101	
Wireless Line Charges	5,500	5,500	5,435	-	5,435	65	
Bank Charges	150	150	-	-	-	150	
Board Meeting	1,000	1,000	48	-	48	952	
Dues and Memberships	250	250	189	-	189	61	
Insurance - Liability	8,500	8,500	7,748	(17)	7,731	752	
Public Education	500	500	-	-	-	500	
Training Expense	5,000	5,000	675	-	675	4,325	
Travel Expense	7,000	7,000	3,415	-	3,415	3,585	
Other Charges	1,000	1,000	131	-	131	869	
Depreciation	30,000	30,000	22,292	-	22,292	7,708	
Capital Improvements	52,226	52,226	16,688	(16,688)	-	35,538	
Total Expenses	324,226	324,226	249,787	(15,964)	233,823	74,439	
Net Income (Loss)	\$ -	\$ -	\$ 87,058	\$ 15,598	\$ 102,656	\$ (61,820)	
1. A. Accounts Receivable							
Prior Year	\$ 8,282						
Current Year	7,916						
	<u>\$ (366)</u>						
B. Prepaid Expense							
Prior Year	\$ 4,692						
Current Year	4,709						
	<u>\$ (17)</u>						
C. Depreciation							
Current Year	<u>\$ 22,655</u>						
	<u>\$ 22,655</u>						
D. Accounts Payable - Compensated Absences							
Prior Year					\$ 13,200		
Current Year					13,941		
					<u>\$ 741</u>		
E. Capital Improvements							
Current Year					<u>\$ 16,688</u>		
					<u>\$ (16,688)</u>		

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OFFICIAL BONDS OF PRINCIPAL OFFICIALS
For the Year Ended June 30, 2012**

<u>NAME</u>	<u>TITLE</u>
Wayne Shoemaker	Director
Donna Reed	Office Administrator
Charlie May	Vice Chairman
Ted Carson	Board Member

Miscellaneous Section

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
REVENUES AND EXPENSES PAST TEN YEARS
For the Year Ended June 30, 2012
(UnAudited)**

YEAR	REVENUES	EXPENSES
2003	\$ 159,797	\$ 102,637
2004	231,238	123,494
2005	253,178	181,938
2006	228,483	182,969
2007	309,705	187,147
2008	289,641	181,037
2009	316,966	195,895
2010	309,618	226,000
2011	363,558	289,489
2012	336,479	233,823

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Schedule of Expenditures of State Awards
June 30, 2012

<u>Program Title</u>	<u>CFDA #</u>	<u>Grant #</u>	<u>June 30, 2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>June 30, 2012</u>
State of Tennessee Assistance Department of Commerce and Insurance	Tenn. Emergency Communications Board N/A	Z03016925	\$ -	\$ 10,000	\$ 10,000	\$ -
Total State of Tennessee Assistance			\$ -	\$ 10,000	\$ 10,000	\$ -

* CFDA--Catalog of Federal Domestic Assistance; (1) No Federal CFDA number assigned.
 () Indicates unexpended balances at year end and a restricted balance in net assets.

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
June 30, 2012

NOTE A- BASIS OF PRESENTATION

The accompanying schedule of expenditures of State Awards of the Scott County Emergency Communications District is presented on the accrual basis of accounting.

Internal Control and Compliance Section

Dennis E. Jeffers

Certified Public Accountant

A Member of the American Institute of Certified Public Accountants

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Oneida, Tennessee 37841
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To The Board of Directors
Scott County Emergency Communications District
Huntsville, Tennessee 37756

We have audited the financial statements of the Scott County Emergency Communications District, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 5, 2012. We conducted our audit in accordance with generally accepted auditing standards general 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 Scott County Emergency Communications District is responsible for establishing and maintaining effective internal control over financial planning. In planning and performing our audit, we considered the Scott County 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 Scott County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Scott 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 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 the 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 the Scott County Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and board of directors of the Scott County Communications District, and others within the organization, federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

Dennis E. Jeffers CPA, PC

Oneida, Tennessee

October 5, 2012

Scott County Emergency Communications District
Schedule of Findings and Responses – Prior Year
June 30, 2012

97-1 Condition: The Scott County Emergency Communications District does not have enough staff to allow for adequate segregation of duties.

Recommendation: The District should use compensating controls such as dual signatures to help make up for its small staff. The District should consider additional personnel for this purpose.

Management response: Compensating controls have been studied and used where practical. We believe that the cost of additional personnel would outweigh the benefit of segregation of duties.

Current Status: There has been improvements in this area and it is no longer considered an issue.