

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS**

**DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

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**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

**INTRODUCTORY SECTION**

**JUNE 30, 2012**

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
BOARD OF DIRECTORS  
JUNE 30, 2012**

**Everett Bolin, Chairman**  
2089 East First Street  
Crossville, Tennessee 38555

**Creed Lynn Tollett, Vice Chairman**  
7680 Dunbar Road  
Crossville, Tennessee 38572

**Amy Cox, Treasurer**  
253 Ivanhoe Lane  
Crossville, Tennessee 38555

**McKinley Tabor, Secretary**  
P.O. Box 2582  
Crossville, Tennessee 38557

**Mark Fox, Director**  
100 Lantana Road, Suite 202  
Crossville, Tennessee 38555

**Lamarr Green, Director**  
1152 Pea Ridge Road  
Crab Orchard, Tennessee 37723

**Robert Citkovic, Director**  
18 Pamala Lane  
Fairfield Glade, Tennessee 38558

**Kimberly Peaslee, Director**  
9997 Old Hwy 28  
Pikeville, Tennessee 37367

**Trey Kerley, Director**  
7033 Chief White Eagle Ln  
Crossville, Tennessee 38572

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

**FINANCIAL SECTION**

**JUNE 30, 2012**

CERTIFIED PUBLIC ACCOUNTANTS

Joe Savage  
Marie I. Niekerk  
Josh Stone  
Earl O. Wright - 1988 - 2002

Stephen J. Parsons  
Catherine R. Hulme  
William R. Scandlyn - 1988 - 1999

**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors of  
Cumberland County Emergency Communications  
District of Cumberland County, Tennessee

We have audited the accompanying financial statements of Cumberland county Emergency Communications District of Cumberland County, Tennessee (the District), a component unit of Cumberland County, Tennessee, as of and for the year ended June 30, 2012. 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 audits.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. 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 provide a reasonable basis for our opinions.

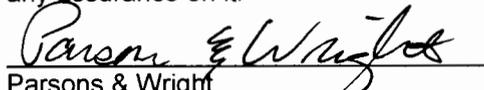
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cumberland County Emergency Communications District of Cumberland County, Tennessee as of June 30, 2012, and the change in financial position and cash flows thereof for the year 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 a report dated December 18, 2012, on our consideration of Cumberland County Emergency Communications District of Cumberland County, Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 4 through 7 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 District's financial statements taken as a whole. The introductory section and accompanying financial information listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has 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 it.

  
Parsons & Wright  
Certified Public Accountants  
Kingston, Tennessee

December 18, 2012

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

As financial management of the Cumberland County Emergency Communications District (the "District"), we offer readers of these financial statements this narrative overview and analysis of the District for the fiscal year ending June 30, 2012. Please read it in conjunction with the District's financial statements, which follows this section.

**FINANCIAL HIGHLIGHTS**

The District's total net assets decreased in 2011/2012 from \$1,192,622 to \$1,112,856 or 6.7% over the previous year. We attribute the decrease to the expenditure of funds related to operating the District and the upgrading of equipment. We experienced an increase in our operating revenues and a decrease in our non-operating revenues. We experienced an overall decrease in revenues of 5.9%. This decrease is attributed primarily to the receipt of an equipment grant of \$201,070 in the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of two components: 1) financial statements comprised of the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**FINANCIAL STATEMENTS**

The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets, may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets (without a corresponding increase to liabilities) results in increased net assets, which indicates an improved financial position.

The Statement of Revenues, Expenses, and Changes in Net Assets present information showing how the District's net assets changed during the last year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs (full accrual accounting), regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected user service fees, uncollected subsidy payments, and earned but unused vacation leave).

The Statement of Cash Flows presents information on the actual cash inflows and outflows resulting from the various operating, financing, capital, and investing activities of the District for the last year.

The financial statements can be found on pages 8-13 of this report.

**Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

Other Information

In additional to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budgetary compliance and variances from the final budget. This supplementary information can be found on pages 22-24 of this report.

**FINANCIAL ANALYSIS**

Net assets may serve, over time as a useful indicator of the government's financial position. In the case of the District, assets exceeded liabilities by \$1,112,856 at the close of the last fiscal year ending June 30, 2012. The District repaid \$46,000 of its long-term indebtedness.

The District showed a decrease in the amount of landline revenue this year. This has been a recurring trend now for the past four (4) fiscal years. This is due to the move to newer wireless and VOIP technologies.

This year we saw an increase in our overall operation revenues. This was due to increased wireless shared revenue being provided by Tennessee Emergency Communications Board.

Our non-operating revenues decreased due to the receipt of a large equipment grant received in the prior fiscal year.

**NET ASSETS**

**Table 1  
Net Assets  
Years ended June 30, 2012 and 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Increase (Decrease)</u>	<u>%</u>
Current and other assets	\$448,668	\$688,299	-\$239,631	-34.81%
Capital Assets	<u>1,404,478</u>	<u>1,304,361</u>	<u>100,117</u>	<u>7.68%</u>
<b>Total Assets</b>	<b><u>\$1,853,146</u></b>	<b><u>\$1,992,660</u></b>	<b><u>-\$139,514</u></b>	<b><u>-7.00%</u></b>
Current Liabilities	\$108,290	\$120,038	-\$11,748	-9.79%
Long-term Debt: Bonds Payable	<u>632,000</u>	<u>680,000</u>	<u>(48,000)</u>	<u>-7.06%</u>
<b>Total Liabilities</b>	<b><u>\$740,290</u></b>	<b><u>\$800,038</u></b>	<b><u>(\$59,748)</u></b>	<b><u>-7.47%</u></b>
Net Assets:				
Invested in capital assets, net of related debt	\$720,132	\$583,057	\$137,075	23.51%
Restricted	\$100,000	\$100,000		
Unrestricted	<u>292,724</u>	<u>509,565</u>	<u>-216,841</u>	<u>-42.55%</u>
<b>Total Net Assets</b>	<b><u>\$1,112,856</u></b>	<b><u>\$1,192,622</u></b>	<b><u>-\$79,766</u></b>	<b><u>-6.69%</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$1,853,146</u></b>	<b><u>\$1,992,660</u></b>	<b><u>-\$139,514</u></b>	<b><u>-7.00%</u></b>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**Table 2  
Condensed Statements of Revenues, Expenses, and Changes in Net Assets  
Years Ended June 30, 2012 and 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Increase (Decrease)</u>	<u>%</u>
<b>Revenues:</b>				
Operating Revenues	\$895,346	\$842,530	\$52,816	6.27%
Non-operating revenues				
Interest Income	3,037	6,458	(\$3,421)	-52.97%
Miscellaneous Income	-	100	(\$100)	-100.00%
Contributions from Other Governments	-	10,000	(\$10,000)	-100.00%
TECB - Grants and Reimbursements	30,110	201,070	(\$170,960)	-85.03%
Impairment Loss	-	(76,971)	\$76,971	-100.00%
Loss on Disposal of Property	(3,052)	-	(\$3,052)	100.00%
<b>Total Revenues</b>	<u>\$925,441</u>	<u>\$983,187</u>	<u>(\$57,746)</u>	-5.87%
<b>Expenses:</b>				
Operating Expenses	\$826,832	\$763,685	\$63,147	8.27%
Depreciation Expense	175,777	119,167	56,610	47.50%
Interest and Amortization	2,598	3,269	(671)	0.00%
<b>Total Operating Expenses</b>	<u>\$1,005,207</u>	<u>\$886,121</u>	<u>\$119,086</u>	13.44%
Changes in net assets	(\$79,766)	\$97,066	(\$176,832)	-182.18%
Beginning net assets	<u>1,192,622</u>	<u>1,095,556</u>	<u>97,066</u>	8.86%
Ending net assets	<u>\$1,112,856</u>	<u>\$1,192,622</u>	<u>(\$79,766)</u>	-6.69%

**CAPITAL ASSETS**

The following table summarizes the District's capital assets, net of accumulated depreciation for the fiscal years ended June 30, 2012 and 2011:

**Table 3  
Capital Assets, Net of Accumulated Depreciation  
Year ended June 30, 2012 and 2011**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Building and Improvements	\$1,032,756	\$1,014,733
Furniture and Fixtures	17,587	17,881
Office Equipment	36,399	36,501
Communications Equipment	1,168,603	959,811
Vehicles	20,987	20,987
<b>Total</b>	<u>\$2,276,332</u>	<u>\$2,049,913</u>
Accumulated Depreciation	<u>871,854</u>	<u>745,553</u>
<b>Capital Assets, Net of Accumulated Depreciation</b>	<u>\$1,404,478</u>	<u>\$1,304,360</u>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

**LONG-TERM DEBT**

The District's long-term debt consists of the following:

	FY 2012	FY 2011	\$ Change
Tennessee Municipal Bond Fund	\$ <u>680,000</u>	\$ <u>726,000</u>	<u>(46,000)</u>

See Note F of the financial statements for additional details.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

*Economic Factors and Rates:*

- The District currently maintains a rate for the Emergency Telephone Service Charge (the vast majority of our annual revenue) of \$1.40 per residential line and \$2.75 per commercial line. In 2007, the District petitioned the Tennessee Emergency Communication Board for an extension to the current rate through July 2011. We petitioned the State to maintain our existing rates in 2011 and were successful.
- As expressed in a previous section, we are continuing to be concerned about the migration from land line phone to cellular or other technologies (VOIP). This is a problem across most of the 911 Districts statewide. Even with the increases from the wireless 911 distributions from the State, we continue to see a steady decline in our overall revenue. Our decrease in revenue this year compared to last year shows a downward trend in our ability to generate revenue. With the continuing decline in landline revenue and the static nature of our wireless revenue, we could see significant loss of revenue in future years. We will continue to monitor this trend, and if necessary, consider appealing to the ECB to increase our Emergency Telephone Surcharge to the maximum allowed under the law, which is \$1.50 per residential line and \$3.00 per commercial line.

*Future Budgetary Considerations:*

In 2012/2013 the District is facing several budgetary challenges:

- Continuing to fund the AVL/GPS Vehicle Guidance Program. Recurring costs for the infrastructure program have proven to be more expensive than originally expected. We are negotiating with our cellular provider to bring down these costs. However, at the same time we are hoping to expand the services available with the AVL devices. This would keep the cost of the AVL expense at approximately the same level.
- The District will also be facing a new challenge in meeting the Next Generation 9-1-1 implementation, which is a statewide and national initiative. The Tennessee Emergency Communications Board did provide a grant to offset the cost of the equipment requirements, but it remains to be seen if it will cover all of the actual expenses.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Cumberland County 911 Emergency Communications District  
Office of the Treasurer  
42 Southbend Drive  
Crossville, Tennessee 38555

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2012**

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
STATEMENTS OF NET ASSETS  
JUNE 30, 2012**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	122,500
Certificates of Deposit		95,615
Accrued Interest Receivable		1,280
Accounts Receivable		101,483
Prepaid Expenses		<u>23,444</u>
<b>Total Current Assets</b>	<b>\$</b>	<b><u>344,322</u></b>

**NON-CURRENT ASSETS**

Restricted Certificates of Deposit	\$	100,000
Other Assets		
Unamortized Bond Cost		4,346
Capital Assets		
Building and Improvements		1,032,756
Furniture and Fixtures		17,587
Office Equipment		36,399
Communications Equipment		1,168,603
Vehicles		<u>20,987</u>
Total Capital Assets	\$	<u>2,276,332</u>
Accumulated Depreciation		<u>(871,854)</u>
Capital Assets, Net of Depreciation	\$	<u>1,404,478</u>
<b>Total Non-Current Assets</b>	<b>\$</b>	<b><u>1,508,824</u></b>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>1,853,146</u></b>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable	\$	54,499
Accrued Payroll		2,907
Compensated Absences Payable		2,389
Accrued Payroll Deductions		495
Notes Payable - Current		<u>48,000</u>
<b>Total Current Liabilities</b>	<b>\$</b>	<b><u>108,290</u></b>

**NON-CURRENT LIABILITIES**

Notes Payable - Long-term	\$	<u>632,000</u>
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b><u>740,290</u></b>

**NET ASSETS**

**NET ASSETS**

Invested in Capital Assets - Net of Related Debt	\$	720,132
Restricted for Debt Service		100,000
Unrestricted Net Assets		<u>292,724</u>
<b>TOTAL NET ASSETS</b>	<b>\$</b>	<b><u>1,112,856</u></b>

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

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
JUNE 30, 2012**

**OPERATING REVENUES**

Emergency Telephone Service Charge	\$ 488,546
Tennessee Emergency Communications Board - Shared Wireless Charge	150,771
Tennessee Emergency Communications Board - Operational Funding	<u>256,029</u>
<b>Total Operating Revenues</b>	<b>\$ <u>895,346</u></b>

**OPERATING EXPENSES**

**Salaries and Wages**

Administrative Personnel	\$ 110,132
<b>Total Salaries and Wages</b>	<b>\$ <u>110,132</u></b>

**Employee Benefits**

Social Security	\$ 6,106
Medicare	1,428
Medical Insurance	38,631
<b>Total Employee Benefits</b>	<b>\$ <u>46,165</u></b>

**Contracted Services**

Audit Services	\$ 6,000
Accounting Services	2,120
Fees Paid to Service Providers	277
Impact Payments	279,292
Janitorial Services	4,700
Legal Services	16,100
Maintenance Agreements	43,313
NCIC/TBI/TIES Expenses	6,480
Other Consultants	22,000
Administrative Services	12,000
Pest Control	605
Maintenance and Repairs - Communication Equipment	43,825
Maintenance and Repairs - Buildings and Facilities	13,788
Maintenance and Repairs - Office Equipment	3,225
Maintenance and Repairs - Vehicles	522
Fuel - Vehicles	1,703
Language Line	87
Garbage Pickup	1,566
<b>Total Contracted Services</b>	<b>\$ <u>457,603</u></b>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)  
JUNE 30, 2012**

**Supplies and Materials**

Office Supplies	\$ 15,312
Custodial Supplies	2,346
Postage	469
Uniforms and Shirts	2,421
Utilities - Electric	19,895
Utilities - Gas	592
Utilities - Water	393
Utilities - General Telephone	14,177
Utilities - Cell Phones and pagers	413
Utilities - Computer Lines	1,245
Utilities - Trunk Lines	36,910
Utilities - AVL Wireless	73,092
Total Supplies and Materials	<u>\$ 167,265</u>

**Other Charges**

Board Meeting Expense	\$ 250
Dues and Memberships	576
Insurance - Workers Compensation	1,540
Insurance - Liability and Building and Contents	11,505
Insurance - Vehicles	1,307
Legal Notices	557
Premiums on Surety Bonds	1,349
Public Education	1,988
Service Awards	88
Training Expenses	198
Travel Expenses	4,637
Internet Charges	1,383
Dispatcher Training	15,628
Other Fees	4,661
Total Other Charges	<u>\$ 45,667</u>

**Depreciation**

Depreciation Expense	\$ 175,777
Total Depreciation	<u>\$ 175,777</u>

**Amortization**

Amortization Expense	\$ 350
Total Amortization	<u>\$ 350</u>

**Total Operating Expenses** \$ 1,002,959

Operating Income (Loss) \$ (107,613)

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)  
JUNE 30, 2012**

<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	\$ 447
Investment Income	2,590
Contributions from Other Governments and Agencies	0
Tennessee Emergency Communications Board - Grants & Reimbursements	30,110
Interest Expense	(2,248)
Loss on Disposal of Property	(3,052)
Total Nonoperating Revenues (Expenses)	<u>\$ 27,847</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ (79,766)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>\$ <u>1,192,622</u></b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ <u><u>1,112,856</u></u></b>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012**

**CASH FLOW FROM OPERATING ACTIVITIES**

Cash Received from Surcharge and Other Revenues	\$ 835,189
Cash Payments to Suppliers for Goods and Services	(686,009)
Cash Payments for Payroll, Taxes, and Related Benefits	<u>(154,470)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ <u>(5,290)</u></b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Grants/Reimbursements TECB	\$ <u>231,180</u>
<b>Net Cash Provided (Used) by Noncapital and Related Financing Activities</b>	<b>\$ <u>231,180</u></b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of Capital Assets	\$ (278,947)
Principal Paid on Notes Payable	(46,000)
Interest Paid on Notes Payable	<u>(2,248)</u>
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>\$ <u>(327,195)</u></b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income, Not Reinvested Into Certificates of Deposit	\$ 1,618
Proceeds from Surrender of Certificates of Deposit	<u>100,000</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>\$ <u>101,618</u></b>

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	\$ <u>122,187</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<b>\$ <u><u>122,500</u></u></b>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ (107,613)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>	
Depreciation	\$ 175,777
Amortization	350
<b>CHANGES IN ASSETS AND LIABILITIES:</b>	
(Increase) Decrease in Accounts Receivable	\$ (60,158)
(Increase) Decrease in Prepaid Expenses	102
Increase (Decrease) in Accounts Payable	(15,575)
Increase (Decrease) in Accrued Payroll	1,399
Increase (Decrease) in Accrued Payroll Deductions Payable	(610)
Increase (Decrease) in Compensated Absences Payable	1,038
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ (5,290)</u>
<b>RECONCILIATION OF CASH WITH STATEMENT OF CASH FLOWS:</b>	
Cash per Statement of Net Assets	\$ 122,500
Investments with Original Maturity of Three (3) Months or Less	<u>0</u>
<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2012</b>	<u>\$ 122,500</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>	
Purchase of Capital Assets on Account	<u>\$ 0</u>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE A - THE REPORTING ENTITY**

The Cumberland County Emergency Communications District of Cumberland County, Tennessee (the District) was organized in July of 1990, under the authority of *Title 7, Chapter 86, Tennessee Code Annotated*, for the purpose of providing to the residences within the boundaries of Cumberland County, Tennessee emergency 9-1-1 services as a means of securing emergency services quickly and efficiently.

The County Commission of Cumberland County, Tennessee is the basic level of government which has financial accountability and control over certain activities related to the District. The County Commission of Cumberland County, Tennessee must approve any issuance of debt by the District, has the authority to adjust the District's service charges, and appoints the nine member Board of Directors, which governs the District. The District is a component unit of Cumberland County, Tennessee

**NOTE B - SUMMARY OF ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The *Governmental Accounting Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

*1. BASIS OF ACCOUNTING*

The financial statements of the District are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The District applies Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The District has elected not to adopt the Financial Accounting Standards Board statements and interpretations issued after November 30, 1989, in accordance with Governmental Accounting Standards Board Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*".

Additionally, proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are user fees for landline and wireless telephone customers, as well as charges for tapes. Operating expenses for proprietary funds include the cost of sales and services such as salaries and wages, employee benefits, contracted services, supplies and materials, other charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE B - SUMMARY OF ACCOUNTING POLICIES – Continued**

*2. DEPOSITS AND INVESTMENTS*

For the purpose of the Statement of Cash Flows, cash and cash equivalents have original maturities of three (3) months or less from the date of acquisition.

*3. RECEIVABLES AND PAYABLES*

All trade receivables and payables are recognized when incurred and recorded at full value. Any amounts later determined to be uncollectible are written off when that determination is made. Any necessary allowance for doubtful accounts would not be material.

*4. PREPAID ITEMS*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items when paid, and expensed in the applicable future accounting period.

*5. CAPITAL ASSETS*

Capital assets are defined by the District as assets with an initial, individual cost of \$3,000 or greater, and an estimated useful life of three (3) years or greater. Capital assets are carried at cost. The District capitalizes net interest cost as part of the cost of constructing capital assets.

Capital assets in service are depreciated using the straight-line method at rates that will amortize costs over the estimated useful lives of the assets. The estimated useful lives are as follows:

Building and Improvements	40 years
Vehicles, Equipment, and Furniture and Fixtures	5 to 10 years

*6. RESTRICTED ASSETS*

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities will be first used for retirement of related long-term debt. The remainder, if generated from earnings, is shown as Restricted Net Assets.

*7. COMPENSATED ABSENCES*

The District's policy provides that vacation time may be accumulated and carried forward to the next year in an amount not to exceed 184 total hours. Any hours exceeding the 184-hour limit will be converted to sick leave if not used prior to the end of the current employment year. Upon termination of employment, an employee will be entitled to payment of any unused vacation time, which has accrued, up to 184 hours. Payment will be based upon the employee's daily rate of compensation at the time of termination. The accumulated amount is charged to expense and corresponding liability in the financial statements.

*8. LONG-TERM DEBT AND COSTS*

Long-term debt is reported at face value. Costs related to the issuance of debt are deferred and amortized over the life of the debt issuance.

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE B - SUMMARY OF ACCOUNTING POLICIES – Continued**

*9. NET ASSETS*

Net assets are classified into three components – Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted. These classifications are defined as follows:

**Invested in Capital Assets, Net of Related Debt** – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

**Restricted** – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Assets** – This component of net assets consist of net assets that do not meet the definition of “Restricted” or “Invested in Capital Assets, Net of Related Debt”.

*10. ESTIMATES*

The preparation of financial statements in accordance 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 may differ from these estimates.

*11. BUDGET*

The budget is legally adopted, by the Board of Commissioners, in accordance with the provisions of **Tennessee Code Annotated, Section 7-86-120**.

**NOTE C – DEPOSITS AND INVESTMENTS**

State of Tennessee statutes restrict the investment options of the District. The District can only invest funds using the following investment options:

Bonds, notes, or treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies;

Certificates of deposit and other evidence of deposit at Tennessee State chartered banks and savings and loan associations and federally chartered banks and savings and loan associations;

The State of Tennessee local government investment pool;

Obligations of the United States or its agencies under a repurchase agreement, with certain conditions;

Bonds rated A or higher by any nationally recognized rating service of the State of Tennessee, bonds of any county or municipal corporations of the State of Tennessee (bonds of any road, levee, or drainage district is expressly excluded), bonds of any other state or political subdivision;

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE C – DEPOSITS AND INVESTMENTS – Continued**

Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, and the Student Loan Marketing Association provided such securities are rated in the highest category by at least two (2) nationally recognized rating services;

The county's own bonds or notes issued in accordance with Tennessee Code Annotated Title 9, Chapter 21.

All investments of the District must have a maturity of not greater than two (2) years or with certain authorized approval up to five (5) years.

At June 30, 2012, the District's deposits and investments consisted of the following:

	<u>Bank Balance</u>	<u>Carrying Value</u>
First Bank - Operating Account	\$ 60,249	\$ 57,554
First National Bank of Tennessee - Payroll Account	14,879	14,879
Certificate of Deposit	90,000	90,000
Progressive Savings Bank - Certificate of Deposit	<u>105,615</u>	<u>105,615</u>
<b>Total Deposits and Investments</b>	<b><u>\$ 270,743</u></b>	<b><u>\$ 268,048</u></b>

The difference between the bank balance and carrying amount is due to outstanding checks and or deposits in transit at year end.

As of June 30, 2012, deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000. In addition, First Bank is a member of the State of Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The District's deposits in financial institutions were entirely insured or collateralized at June 30, 2012.

The District's only investments at June 30, 2012 were certificates of deposits held at Tennessee state chartered banks.

**NOTE D – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2012 consisted of funds due from the following agencies:

Volunteer First Services	\$ 5,878
Bledsoe Telephone Cooperative	180
Citizens Telecommunications Company of Tennessee	30,508
State of Tennessee	60,433
Other Miscellaenous Providers	<u>4,484</u>
<b>Total Accounts Receivable</b>	<b><u>\$ 101,483</u></b>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE E – CAPITAL ASSETS**

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

<u>PROPERTY, PLANT &amp; EQUIPMENT</u>	<u>BALANCE JUNE 30, 2011</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE JUNE 30, 2012</u>
<b>Capital Assets, Being Depreciated</b>				
Building and Improvements	\$ 1,014,733	\$ 18,023	\$ 0	\$ 1,032,756
Office Equipment and Fixtures	54,382	0	(396)	53,986
Communication and Computer Equipment	959,811	260,924	(52,132)	1,168,603
Vehicles	20,987	0	0	20,987
Total Capital Assets Being Depreciated	<u>\$ 2,049,913</u>	<u>\$ 278,947</u>	<u>\$ (52,528)</u>	<u>\$ 2,276,332</u>
<b>Less: Accumulated Depreciation</b>				
Building and Improvements	\$ 162,887	\$ 27,203	\$ 0	\$ 190,090
Office Equipment and Fixtures	43,576	3,771	(396)	46,951
Communication and Computer Equipment	518,103	144,803	(49,080)	613,826
Vehicle	20,987	0	0	20,987
Total Accumulated Depreciation	<u>\$ 745,553</u>	<u>\$ 175,777</u>	<u>\$ (49,476)</u>	<u>\$ 871,854</u>
<b>NET CAPITAL ASSETS</b>	<u>\$ 1,304,360</u>	<u>\$ 103,170</u>	<u>\$ (3,052)</u>	<u>\$ 1,404,478</u>

**NOTE F – LONG-TERM DEBT**

On November 17, 2004, the District obtained financing in the amount of \$1,000,000 through the City of Crossville, from the Public Building Authority of the City of Clarksville, Tennessee Adjustable Rate Pooled Financing Revenue Bonds, Series 2004 (Tennessee Municipal Bond Fund) for the purpose of constructing a new facility for the Emergency Communications Center. The loan rate for each loan payment period is calculated by the Trustee based on interest rates determined by the Remarketing Agent for the current month. The interest rate in effect at June 30, 2012 was .35%.

Details of the District's long-term debt for the year ended June 30, 2012 are as follows:

	<u>BALANCE JUNE 30, 2011</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE JUNE 30, 2012</u>	<u>DUE WITHIN ONE YEAR</u>
Tennessee Adjustable Rate Pooled Financing Revenue Bonds, Series 2004, Maturing 2024, Rate - Adjustable	\$ 726,000	\$ 0	\$ (46,000)	\$ 680,000	\$ 48,000

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE F – LONG-TERM DEBT – Continued**

Debt Service Requirements to maturity are as follows:

<u>YEAR ENDING JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2013	\$ 48,000	\$ 2,384	\$ 50,384
2014	49,000	2,216	51,216
2015	51,000	2,044	53,044
2016	52,000	1,870	53,870
2017	54,000	1,683	55,683
2018	56,000	1,494	57,494
2019	57,000	1,297	58,297
2020	59,000	1,100	60,100
2021	61,000	891	61,891
2022	63,000	677	63,677
2023	64,000	456	64,456
2024	66,000	232	66,232
<b>TOTAL</b>	<b>\$ 680,000</b>	<b>\$ 16,344</b>	<b>\$ 696,344</b>

Interest requirements are computed using the rate in effect at June 30, 2012 of .35%.

The bonds are secured to the City of Crossville by statutory lien on the property and improvements thereto and on the revenues of the District. In the event that any indebtedness is not satisfied in full by these liens, the City of Crossville is given a lien on the District revenues that are not required uses of "911" revenue, as set forth within **Revenue Standards of the Tennessee Emergency Communications Board**, as may be amended.

**NOTE G – RISK MANAGEMENT**

The Cumberland County Emergency Communications District of Cumberland County, Tennessee is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three (3) years. There were no significant reductions in insurance coverage in the prior year. The details of the coverage in effect at June 30, 2012 are as follows:

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE G – RISK MANAGEMENT – Continued**

<b>COVERAGE</b>	<b>PERIOD OF COVERAGE</b>	<b>LIMITS</b>
<b>COMMERCIAL GENERAL LIABILITY</b>		
General Aggregate	4/30/12 - 4/30/13	\$ 3,000,000
Products Aggregate		3,000,000
Personal and Advertising Injury		1,000,000
Each Occurrence or Medical Incident		1,000,000
Medical Expense, Any One Person		5,000
<b>VEHICLE</b>		
Liability, Each Accident	4/30/12 - 4/30/13	1,000,000
Uninsured Motorists		1,000,000
Underinsured Motorists		1,000,000
Medical Payments		10,000
Physical Damage - Comprehensive		Actual Cash Value
Physical Damage - Collision		Actual Cash Value
Deductible - Comprehensive		250
Deductible - Collision		250
<b>SCHEDULE OF PROPERTY COVERAGE</b>		
Real Property	4/30/12 - 4/30/13	1,265,319
Personal Property		580,374
Deductible per Occurrence -		
Policy - Per Occurrence		250
Earthquark - Per Item		92,285
Flood - Per Premises		1,000
Money and Securities		10,000
Software		250,000
<b>MANAGEMENT LIABILITY</b>		
Aggregate Limit	4/30/12 - 4/30/13	3,000,000
Wrongful Act, Each Act		1,000,000
Injunctive Relief, Each Action		25,000
<b>WORKMEN'S COMPENSATION</b>		
Each Accident	10/15/12 - 10/15/13	100,000
Disease - Each Employee		100,000
Policy Limit		500,000
<b>EMPLOYEE THEFT</b>		
Per Loss Coverage -		
Limit of Occurrence	6/24/12 - 6/24/13	50,000
Excess Limit of Insurance		
Specified Employee or Positions		
For Employee Theft Only - Limit Per Occurrence		700,000

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE H – CONTINGENT LIABILITIES**

The District is involved in a claim with a former employee regarding a disputed interpretation of an employment contract, whereby, the former employee contends that separation pay and compensation time are owed in the potential amount of \$60,000. Although the outcome of this claim is not presently determinable, it is the assessment of the District's legal counsel that the compensation time portion of the claim is without merit and the separation pay portion of the claim is not considered to have a high probability of success on its merits.

**NOTE I – SUBSEQUENT EVENTS**

The District has evaluated events and transactions that occurred between June 30, 2012 and December 18, 2012, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. No such items were noted.

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

**SUPPLEMENTAL FINANCIAL INFORMATION**

**JUNE 30, 2012**

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
SCHEDULE OF REVENUES AND EXPENSES – BUDGET TO ACTUAL (CASH BASIS BUDGET)  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>OPERATING REVENUES</b>	Actual	Budget	Variance
	(Cash Basis)	(Cash Basis)	Favorable/ (Unfavorable)
Emergency Telephone Service Charge	\$ 481,464	\$ 484,500	\$ (3,036)
TECB - Shared Wireless Charge and Operational Funding	318,646	375,000	(56,354)
Other Operating Revenue	65,188	68,000	(2,812)
<b>Total Operating Revenues</b>	<b>\$ 865,298</b>	<b>\$ 927,500</b>	<b>\$ (62,202)</b>
 <b>OPERATING EXPENSES</b>			
<b><u>Salaries and Wages</u></b>			
Director	\$ 0	\$ 3,500	\$ 3,500
Administrative Personnel	107,695	105,466	(2,229)
Other Salaries and Wages	0	1,778	1,778
<b>Total Salaries and Wages</b>	<b>\$ 107,695</b>	<b>\$ 110,744</b>	<b>\$ 3,049</b>
 <b><u>Employee Benefits</u></b>			
Social Security	\$ 6,601	\$ 7,410	\$ 809
Medicare	1,543	1,500	(43)
Medical Insurance	38,631	40,000	1,369
<b>Total Employee Benefits</b>	<b>\$ 46,775</b>	<b>\$ 48,910</b>	<b>\$ 2,135</b>
 <b><u>Contracted Services</u></b>			
Audit Services	\$ 6,000	\$ 6,000	\$ 0
Accounting Services	2,290	2,300	10
Fees Paid to Service Providers	277	0	(277)
Impact Payments	269,943	270,000	57
Janitorial Services	5,870	5,900	30
Legal Services	14,100	18,000	3,900
Maintenance Agreements	43,415	42,000	(1,415)
NCIC/TBI/TIES Expenses	6,480	6,480	0
Other Consultants	23,000	23,000	0
Administrative Services	12,000	12,000	0
Pest Control	660	660	0
Maintenance and Repairs - Communication Equipment	43,195	35,000	(8,195)
Maintenance and Repairs - Buildings and Facilities	13,659	13,000	(659)
Maintenance and Repairs - Office Equipment	3,225	500	(2,725)
Maintenance and Repairs - Vehicles	522	525	3
Fuel - Vehicles	1,703	1,725	22
Language Line	114	115	1
Garbage Pickup	1,566	1,600	34
<b>Total Contracted Services</b>	<b>\$ 448,019</b>	<b>\$ 438,805</b>	<b>\$ (9,214)</b>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
SCHEDULE OF REVENUES AND EXPENSES – BUDGET TO ACTUAL (CASH BASIS BUDGET)  
FOR THE YEAR ENDED JUNE 30, 2012**

	Actual	Budget	Variance
	<u>(Cash Basis)</u>	<u>(Cash Basis)</u>	<u>Favorable/ (Unfavorable)</u>
<b><u>Supplies and Materials</u></b>			
Office Supplies	\$ 14,046	\$ 15,000	\$ 954
Custodial Supplies	2,346	2,500	154
Data Processing Supplies	469	800	331
Postage	0	475	475
Small Equipment Purchases	0	500	500
Uniforms and Shirts	2,421	2,500	79
Utilities - Electric	19,876	20,000	124
Utilities - Gas	592	600	8
Utilities - Water	393	400	7
Utilities - General Telephone	14,242	14,250	8
Utilities - Cell Phones and pagers	413	460	47
Utilities - Computer Lines	1,245	1,250	5
Utilities - Trunk Lines	36,866	36,875	9
Utilities - AVL Wireless	81,253	82,000	747
Printing Expenses	0	300	300
Total Supplies and Materials	<u>\$ 174,162</u>	<u>\$ 177,910</u>	<u>\$ 3,748</u>
<b><u>Other Charges</u></b>			
Board Meeting Expense	\$ 250	\$ 250	\$ 0
Dues and Memberships	576	200	(376)
Insurance - Workers Compensation	1,540	1,540	0
Insurance - Liability and Building and Contents	11,505	13,115	1,610
Insurance - Vehicles	1,307	1,307	0
Legal Notices	557	560	3
Licenses and Permits	0	500	500
Premiums on Surety Bonds	1,349	1,400	51
Public Education	1,988	2,000	12
Service Awards	88	88	0
Training Expenses	198	200	2
Travel Expenses	4,637	4,637	0
Internet Charges	1,383	1,400	17
Dispatcher Training	16,201	18,000	1,799
Other Fees	4,661	666	(3,995)
Total Other Charges	<u>\$ 46,240</u>	<u>\$ 45,863</u>	<u>\$ (377)</u>
<b>Total Operating Expenses</b>	<u>\$ 822,891</u>	<u>\$ 822,232</u>	<u>\$ 659</u>
Operating Income (Loss)	<u>\$ 42,407</u>	<u>\$ 105,268</u>	<u>\$ (62,861)</u>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
SCHEDULE OF REVENUES AND EXPENSES – BUDGET TO ACTUAL (CASH BASIS BUDGET)  
FOR THE YEAR ENDED JUNE 30, 2012**

	Actual <u>(Cash Basis)</u>	Budget <u>(Cash Basis)</u>	Variance Favorable/ <u>(Unfavorable)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest Income	\$ 447	\$ 400	\$ 47
Investment Income	3,744	5,000	(1,256)
TECB - Grants & Reimbursements	201,070	201,070	0
Interest Expense	<u>(2,248)</u>	<u>(28,000)</u>	<u>25,752</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 203,013</u>	<u>\$ 178,470</u>	<u>\$ 24,543</u>
 <b>CASH BASIS NET INCOME (LOSS)</b>	 <u>\$ 245,420</u>	 <u>\$ 283,738</u>	 <u>\$ (38,318)</u>
 <b>RECONCILIATION OF CASH BASIS TO ACCRUAL BASIS</b>			
Cash Basis Net Income (Loss)	\$ 245,420		
Depreciation Expense	(175,777)		
Amortization Expense	(350)		
Loss on Disposal of Property	(3,052)		
Decrease in Accrued Interest Receivable	(1,154)		
Decrease in Current Receivables	(140,912)		
Increase in Prepaid Expenses	102		
Increase in Accounts Payable	(2,216) *		
Increase in Accrued Payroll	(1,399)		
Increase in Compensated Absences Payable	(1,038)		
Decrease in Accrued Payroll Deductions Payable	<u>610</u>		
 <b>INCREASE (DECREASE) IN NET ASSETS (ACCRUAL)</b>	 \$ (79,766)		
 <b>NET ASSETS - BEGINNING OF YEAR</b>	 <u>1,192,622</u>		
 <b>NET ASSETS - END OF YEAR</b>	 <u>\$ 1,112,856</u>		

\* Does not account for change related to purchases of capital assets

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

**INTERNAL CONTROL AND  
COMPLIANCE AND OTHER MATTERS  
SECTION**

**JUNE 30, 2012**

CERTIFIED PUBLIC ACCOUNTANTS

Joe Savage  
Marie I. Niekerk  
Josh Stone  
Earl O. Wright - 1988 - 2002

Stephen J. Parsons  
Catherine R. Hulme  
William R. Scandlyn - 1988 - 1999

**REPORT ON COMPLIANCE AND 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 of  
Cumberland County Emergency Communications  
District of Cumberland County, Tennessee

We have audited the financial statements of Cumberland County Emergency Communications District of Cumberland County, Tennessee (the District), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 18, 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 Cumberland County Emergency Communications District of Cumberland County, Tennessee 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 and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings, Recommendations, and Responses that we consider to be significant deficiencies in internal control over financial reporting. The deficiency is identified as Finding 11-01. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### **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 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*.

Cumberland County Emergency Communications District of Cumberland County, Tennessee's response to the finding identified in our audit is described in the accompanying Schedule of Findings, Recommendations, and Responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, City Council, and 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.

  
Parsons & Wright  
Certified Public Accountants  
Kingston, Tennessee

December 18, 2012

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND RESPONSES  
JUNE 30, 2012**

**PRIOR YEAR FINDING - UNRESOLVED**

**Finding 11-01 – Actual Amounts Exceed Budgeted Amounts**

At the line-item level certain actual amounts exceed the budgeted amounts.

**Tennessee Code Annotated, Section 7-86-120**, states that no emergency communications district may spend monies, regardless of their source, except in accordance with an adopted budget.

**Recommendation:**

Management should periodically review actual to budgeted reports to ascertain that expenditures are being made within the budgeted amounts. The budget should be amended before additional expenditures are made in excess of the budgeted amounts.

**Management's Response:**

We will monitor budgeted amounts more closely and will amend the budget as the need arises.

**Current Status:**

This is a repeat finding by the District that has not been corrected. We will continue to monitor.