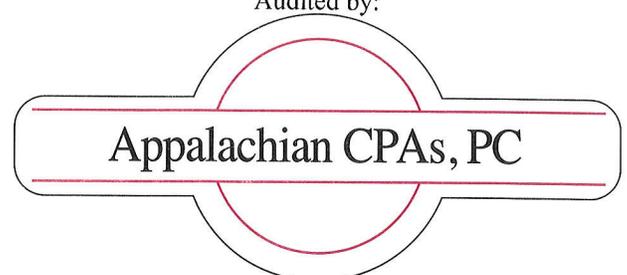


Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Financial Statement  
For the Fiscal Year Ended June 30, 2012

Audited by:



Introduction Section

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Table of Contents  
For the Fiscal Year Ended June 30, 2012

	<u>Page</u>
<u>Introduction Section</u>	
Table of Contents	1
Roster of Board Members and Management	2
<u>Management Discussion and Analysis Section</u>	
Management's Discussion and Analysis	3-6
<u>Financial Section</u>	
Independent Auditor's Report	7-8
Basic Financial Statements:	
Statement of Net Assets	9
Statement of Revenue, Expenses and Changes in Net Assets	10-11
Statement of Cash Flows	12-13
Notes to the Financial Statements	14-18
<u>Supplementary Data</u>	
Schedule of Revenue and Expenses - Budget to Actual	19-20
Reports on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with <i>Governmental Auditing Standards</i>	21-22
Schedule of Audit Findings and Responses	23-24

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Roster of Board Members and Management  
June 30, 2012

Board of Directors

Position Held

James Pate, Chairman  
Edward Herndon, Vice Chairman  
William Hensley, Treasurer  
Glenn Tilson  
Greg Lynch  
Robert Adams  
Johnny Lynch  
Mike Hensley  
W. A. Wilson

Administrator of Unicoi County Memorial Hospital  
Director of Emergency Preparedness of Unicoi County  
Unicoi County Commissioner  
Town of Erwin Mayor  
Unicoi County Mayor  
Member of Firefighters Association  
Town of Unicoi Mayor  
Sheriff of Unicoi County  
Member at Large

Management

Patsy Ledford

Director

Management Discussion and Analysis Section

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Management's Discussion and Analysis  
June 30, 2012

As management of the Unicoi County Emergency Communications District (the District), a component unit of Unicoi County, Tennessee, we offer readers of the District financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$480,592 (*net assets*). Of this amount, \$193,550 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors. There are no restricted net assets. The balance of the net assets are invested in capital assets, net of related debt.
- The total net assets increased by \$90,853 from District operations. The increase in net assets is attributable to an increase in operating revenue and decrease in operating expense.
- The District's total debt decreased by \$3,546 during the current fiscal year. The net decrease was attributable to the timing of year end accrued expenses.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The financial statements can be found on pages 9-13.

The financial operations of Tennessee emergency communications districts must be accounted for in an enterprise fund. Enterprise funds are reported using a flow of economic resources measurement focus and the accrual basis of accounting. These are the same measurement focus and basis of accounting used by private business enterprises. Revenues are recognized in enterprise funds when they are earned and expenses are recognized as soon as a liability is incurred.

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.

The *statement of revenue, expenses and change in net assets* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Management's Discussion and Analysis (Continued)  
June 30, 2012

The *statement of cash flows* is presented on the direct method of presentation.

Notes to the 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 14-18 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information consists of management's discussion and analysis, and the District's budget to actual comparison.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$480,592 at the close of the fiscal year.

A large portion of the District's net assets (40 percent) reflects its investment in capital assets, reduced by accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unicoi County Emergency Communications District  
Net Assets

	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 302,643	\$ 167,524
Capital Assets	193,550	241,362
Total Assets	<u>\$ 496,193</u>	<u>\$ 408,886</u>
Long-Term Liabilities Outstanding	\$ 0	\$ 0
Other Liabilities	15,601	19,147
Total Liabilities	<u>\$ 15,601</u>	<u>\$ 19,147</u>
Net Assets:	<u>\$ 480,592</u>	<u>\$ 389,739</u>
Invested in Capital Assets, Net of Related Debt	\$ 193,550	\$ 241,362
Restricted	0	0
Unrestricted	287,042	148,377
Total Net Assets	<u>\$ 480,592</u>	<u>\$ 389,739</u>

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Management's Discussion and Analysis (Continued)  
June 30, 2012

At the end of the current fiscal year, the District is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

District Activities. Activities increased the District's net assets by \$90,853. Key elements of this increase are as follows:

Unicoi County Emergency Communications District  
Changes in Net Assets

	<u>2012</u>	<u>2011</u>
Revenues:		
Operating Revenue	\$ 346,710	\$ 357,093
Nonoperating Revenue	53,244	19,788
Total Revenues	<u>\$ 399,954</u>	<u>\$ 376,881</u>
Expenses:		
Operating Expenses	\$ 309,101	\$ 385,077
Total Expenses	<u>\$ 309,101</u>	<u>\$ 385,077</u>
Change in Net Assets	\$ 90,853	\$ (8,196)
Net Assets - Beginning	<u>389,739</u>	<u>397,935</u>
Net Assets - Ending	<u>\$ 480,592</u>	<u>\$ 389,739</u>

Cash Flows

Net cash from operating activities during the year ended June 30, 2012, was \$127,849, an increase of \$45,527 from the prior year amount. This increase was principally due to increased contribution from the primary governments. Net cash used by capital and financial activities included the purchase of equipment of \$2,548 during the year ended June 30, 2012. Net cash from investing activities for the year ended June 30, 2012 consisted of interest income.

Budgetary Highlights

Differences between the budget and statement of revenues, expenses and change in net assets can be briefly summarized as follows:

- The budget, which was approved at the beginning of the year, was amended one time.
- The budget for the TECB Shared Wireless charges included the TECB Operational Funding that was reported separately in the basic financial statements and budget comparison.
- Operating and nonoperating revenues exceeded the budgeted amounts.
- Budgeted operating expenses exceeded actual expenses.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Management's Discussion and Analysis (Continued)  
June 30, 2012

The result was an unbudgeted increase in profit for the year of \$54,357.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for the year ended June 30, 2012 decreased by \$47,812 (current year additions of \$2,548, net of current year depreciation of \$50,360).

This investment in capital assets includes office equipment.

The District had no long-term debt as of June 30, 2012.

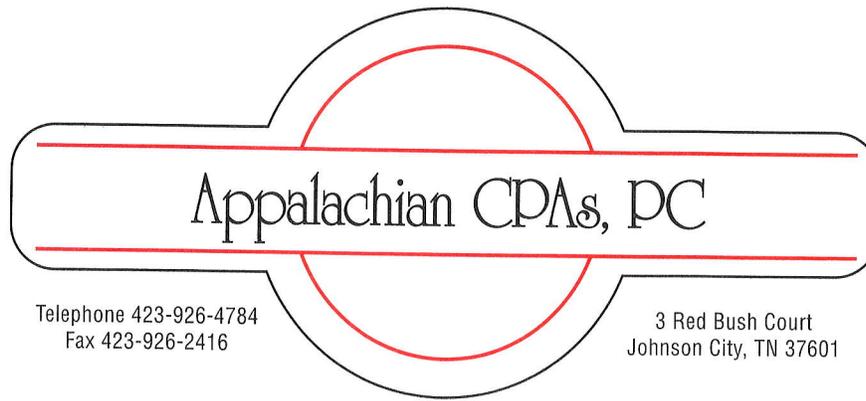
Requests for Information

This financial report is designed to provide a general overview of the Unicoi County Emergency Communications District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for addition financial information provided in this report or requests for additional financial information should be addressed to the Board of Commissioners, Unicoi County Emergency Communications District, 102 North Main Street, Erwin, Tennessee 37650.

Respectfully Submitted,  
The Board of Commissioners

by: WB Hensley

Financial Section



November 21, 2012

Independent Auditor's Report

Commissioners of Unicoi County Emergency Communications District  
Erwin, Tennessee

We have audited the accompanying financial statements of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Unicoi 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 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 respective financial position of Unicoi County Emergency Communications District, as of June 30, 2012, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012, on our consideration of Unicoi 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 budgetary comparison information on pages 3 through 6 and 19 through 20 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 an opinion on the financial statements of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee. The supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements. The Schedule of Budgetary Comparison and roster of Board Members and Management are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing 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 presented, in all material respects, in relation to the financial statements taken as a whole.

*Appalachian CPAs, PC*

Appalachian CPAs, PC  
Johnson City, Tennessee  
EIN 62-1337124

Engagement Partner/Officer  
Kenneth W. McCurry, CPA  
3 Red Bush Court  
Johnson City, TN 37601  
(423) 926-4784

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Statement of Net Assets  
June 30, 2012

	<u>Assets</u>
<u>Current Assets</u>	
Cash and Cash Equivalent	\$ 229,921
Cash - Certificates of Deposit	54,438
Accounts Receivable	11,626
Prepaid Expenses	<u>6,658</u>
Total Current Assets	<u>\$ 302,643</u>
<u>Noncurrent Assets</u>	
<u>Capital Assets</u>	
Leasehold Improvements	\$ 188,857
Communications Equipment	560,411
Office Equipment	<u>49,340</u>
Total Capital Assets	\$ 798,608
Accumulated Depreciation	<u>(605,058)</u>
Total Capital Assets	<u>\$ 193,550</u>
<u>Total Assets</u>	<u>\$ 496,193</u>
	<u>Liabilities</u>
<u>Current Liabilities</u>	
Accounts Payable	\$ 1,049
Accrued Liabilities	<u>14,552</u>
Total Current Liabilities	<u>\$ 15,601</u>
<u>Total Liabilities</u>	<u>\$ 15,601</u>
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	\$ 193,550
Unrestricted Net Assets	<u>287,042</u>
<u>Total Net Assets</u>	<u>\$ 480,592</u>

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

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin Tennessee  
Statement of Revenue, Expenses, and Changes in Net Assets  
For the Fiscal Year Ended June 30, 2012

Operating Revenues

Emergency Telephone Service Charge	\$ 134,208
Tennessee Emergency Communications Board- Shared Wireless Charge	43,235
Tennessee Emergency Communications Board- Operational Funding	<u>169,267</u>
Total Operating Revenues	<u>\$ 346,710</u>

Operating Expenses

Salaries and Wages - Contract Employees

Director	\$ 30,688
Dispatchers	145,069
Address Mapping	<u>8,320</u>
Total Salaries and Wages - Contract Employees	<u>\$ 184,077</u>

Contracted Services

Accounting Services	\$ 6,000
Audit Services	5,009
Maintenance Agreements	5,992
TBI Expenses	2,680
Insurance	712
Lease/Rental Office Equipment	1,210
Maintenance and Repairs - Communications Equipment	<u>2,820</u>
Total Contracted Services	<u>\$ 24,423</u>

Supplies and Materials

Office Supplies	\$ 4,667
Data Processing Supplies	1,140
Postage	140
Utilities - General Telephone	35,848
Utilities - Cell Phones and Pagers	<u>337</u>
Total Supplies and Materials	<u>\$ 42,132</u>

Other Charges

Training Expense	\$ 4,191
Travel Expense	<u>3,918</u>
Total Other Charges	<u>\$ 8,109</u>

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin Tennessee  
Statement of Revenue, Expenses, and Changes in Net Assets (Continued)  
For the Fiscal Year Ended June 30, 2012

<u>Depreciation</u>	
Depreciation Expense	\$ 50,360
Total Depreciation	<u>\$ 50,360</u>
 Total Operating Expenses	 <u>\$ 309,101</u>
 <u>Operating Income (Loss)</u>	 <u>\$ 37,609</u>
<u>Nonoperating Revenues and (Expenses)</u>	
Interest Income	\$ 244
Contributions from Primary Government	35,000
Tennessee Emergency Communications Board-	
Grants and Reimbursements	<u>18,000</u>
Total Nonoperating Revenues and (Expenses)	<u>\$ 53,244</u>
 <u>Increase (Decrease) in Net Assets</u>	 <u>\$ 90,853</u>
 <u>Total Net Assets - Beginning of Year</u>	 <u>389,739</u>
 <u>Total Net Assets - End of Year</u>	 <u>\$ 480,592</u>

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

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Statement of Cash Flows  
For the Year Ended June 30, 2012

<u>Cash Flows from Operating Activities</u>	
Cash Received from Surcharges and Other Revenues	\$ 346,323
Cash Payments to Suppliers for Goods and Services	(80,454)
Cash Payments for Payroll, Taxes and Related Benefits	(188,491)
Net Cash Provided from Operating Activities	<u>\$ 77,378</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Grants/Reimbursements TECB	\$ 18,000
Contributions from Primary Government	35,000
Net Cash Provided from Noncapital Financing Activities	<u>\$ 53,000</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchase of Capital Assets	\$ (2,548)
Net Cash Used for Capital and Related Financing Activities	<u>\$ (2,548)</u>
<u>Cash Flows from Investing Activities</u>	
Purchase of Investment Securities	\$ (225)
Interest Income Received	244
Net Cash Provided from Investing Activities	<u>\$ 19</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	\$ 127,849
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>102,072</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 229,921</u>

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Statement of Cash Flows (Continued)  
For the Year Ended June 30, 2012

Reconciliation of Net Operating Income (Loss) to Net Cash

Provided by (Used for) Operating Activities

Operating Income (Loss)	\$ 37,609
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation Expense	50,360
Changes in Assets and Liabilities	
(Increase) Decrease in Current Receivables	(387)
Increase (Decrease) in Accounts Payable	868
Increase (Decrease) in Accrued Payroll	(4,414)
Increase (Decrease) in Prepaid Expenses	(6,658)
Net Cash Provided by Operating Activities	<u>\$ 77,378</u>

Reconciliation of Cash with Statement of Cash Flows

Cash Per Statement of Net Assets	\$ 229,921
Investments with Original Maturity of 3 Months or Less	0
Cash and Cash Equivalents June 30, 2012	<u>\$ 229,921</u>

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

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements  
June 30, 2012

Note 1 General Information and Significant Accounting Policies

The Organization

Unicoi County Emergency Communications District is an emergency communications district located in Unicoi County, Tennessee that operates as directed by *Tennessee Code Annotated Section 7-86*. The District began operations in 1999 as an enterprise fund.

Unicoi County Emergency Communications District is a discretely presented Component Unit of Unicoi County, Tennessee. The District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Unicoi County, and the Unicoi County Commission appoints its governing body. The District has a nine member board comprised of the Unicoi County Mayor, Town of Erwin Mayor, Town of Unicoi Mayor, Sheriff of Unicoi County, Administrator of Unicoi County Memorial Hospital, Director of Emergency Preparedness of Unicoi County, a member appointed by the Unicoi County Commission, a member of Firefighters Association, and a member at large who is appointed by the County Mayor and confirmed by the County Commission. The District is funded primarily through a service charge levied on telephone services. Before issuance of most debt instruments, the District must obtain the County Commissioner's approval.

Basis of Accounting

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 20 gives proprietary funds the option of applying all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District has not implemented FASB statements or interpretations issued thereafter, unless they are adopted by GASB.

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

Budget and Budgetary Accounting

In accordance with Tennessee Code Annotated, an annual budget is adopted by the District. The budget is approved by the Board and is also submitted to the primary government, Unicoi County, Tennessee. As a legal level of control, expenses are presented at the line-item level in accordance with the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications District*.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements (Continued)  
June 30, 2012

Note 1 General Information and Significant Accounting Policies (Continued)

Deposits and Investments

The cash and cash equivalents on the statement of cash flows includes petty cash, cash on hand, demand deposits, and certificates of deposit with an original maturity of three months or less. The Cash - Certificate of Deposit account has an original maturity of greater than three months. There were no investments for the year.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The District is authorized by the governing board to invest with local financial institutions that are members of the State Collateral Pool.

Accounts Receivable

Accounts receivable consist of various surcharges levied on telephone services which were collected by the service provider. The District considers the accounts to be fully collectible; therefore, no allowance for uncollectible has been recorded.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The items include insurance and maintenance contracts.

Capital Assets

Capital assets, which include property and equipment, are defined as assets with an initial estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized. The capital assets are depreciated on the straight-line basis over their various estimated lives. The cost of intangible assets are amortized over their estimated useful lives.

Advertising

Advertising costs are expensed as incurred.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements (Continued)  
June 30, 2012

Note 1 General Information and Significant Accounting Policies (Continued)

Net Assets

The equity reported in the statement of net assets is displayed in three components: “invested in capital assets, net of related debt,” “restricted,” and “unrestricted.” The following explains each:

Invested in capital assets, net of related debt consists of capital assets, including restricted capital assets, reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets. If there are significant unspent proceeds of capital-related debt at year-end, this component does not include the portion of the debt attributable to those proceeds. Instead, that debt is placed in the net assets component that includes the unspent proceeds, for example, “restricted for capital projects.”

Restricted net assets reports those net assets with limits on their use that are externally imposed (by creditors, grantors, contributors, or the laws or regulations of other governments) or that are imposed by the government’s own constitutional provisions or enabling legislation.

Unrestricted net assets consists of all net assets that do not meet the definition of either of the other two components.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 Bank Deposits

Bank deposits as of the balance sheet date are entirely insured or collateralized with securities held by the District’s agent in the State of Tennessee Collateral Pool.

Note 3 Receivables

Accounts receivable consist of various surcharges levied on telephone services which were collected by the service provider and remitted to the District after year end in the amount of \$11,626.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements (Continued)  
June 30, 2012

Note 4 Related Party Transaction

The contract bookkeeper of the District is the wife of a member of the Board of Directors. The bookkeeping services includes maintaining the accounting records, processing the various payable, and bank deposits and reconciliation of the accounting records. The bookkeeper fees for the year were \$6,000 with no payable at year end.

The District is a component unit of Unicoi County, Tennessee. The District staff are employees of Unicoi County. The District reimburses the County for their director's salary and one half of the other employee's payroll costs. The salary and wage reimbursement cost for the year was \$184,077 of which \$14,552 was payable at year end. Unicoi County also provides space to house the operations of the District rent free.

Note 5 Risk Management

The Unicoi County Emergency Communications District's exposure to various risks of loss to theft of, damage to, and destruction of assets; error and omissions; natural disasters; and the building are covered by the comprehensive insurance policy of Unicoi County.

Note 6 Operating Leases

The District entered into an operating lease agreement on December 20, 2008 with Canon Financial Services to be provided with a Canon Copier. The lease was for a term of 60 months with monthly payments due in the amount of \$101. The District has the option at the end of the lease to purchase the equipment at its fair market value. The lease expires on December 20, 2013. The required payments for the year ended June 30, 2013 is \$1,222 and for the year ended June 30, 2014 is \$605.

Note 7 Distressed Status

On May 4, 2011, the Tennessee Emergency Communications Board placed the Unicoi County Emergency Communications District on "distressed" status as a result of the District having a negative change in net assets for three consecutive years. On June 9, 2011, the State Board stated that the District would be placed in an "at risk" category instead of the "financially distressed" category and if at the end of the year, June 30, 2012, the District was still in the black, it would be moved out of the "at risk" category.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements (Continued)  
June 30, 2012

Note 8 Capital Assets

Capital asset additions, retirements, and balances for the year ended June 30, 2012 are as follows:

<u>Capital Assets</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Leasehold Improvements	\$ 188,857	\$ 0	\$ 0	\$ 188,857
Communications Equipment	560,411	0	0	560,411
Office Equipment	<u>46,792</u>	<u>2,548</u>	<u>0</u>	<u>49,340</u>
Total Capital Assets	<u>\$ 796,060</u>	<u>\$ 2,548</u>	<u>\$ 0</u>	<u>\$ 798,608</u>
 <u>Less Accumulated Depreciation</u>				
Leasehold Improvements	\$ 56,914	\$ 11,341	\$ 0	\$ 68,255
Communications Equipment	456,659	37,408	0	494,067
Office Equipment	<u>41,125</u>	<u>1,611</u>	<u>0</u>	<u>42,736</u>
Total Accumulated Depreciation	<u>\$ 554,698</u>	<u>\$ 50,360</u>	<u>\$ 0</u>	<u>\$ 605,058</u>
Capital Assets, Net	<u>\$ 241,362</u>	<u>\$ (47,812)</u>	<u>\$ 0</u>	<u>\$ 193,550</u>

Note 9 Subsequent Events

Subsequent events for Unicoi County Emergency Communications District were evaluated by management up to November 21, 2012, which is the financial statement issuance date.

Note 10 Other Required Disclosures

Depreciation expense for the year was \$50,360.

There was no amortization expense for the year.

There was no advertising costs for the year.

There was no interest costs incurred and charged to expense for the year. No interest costs were capitalized.

Supplementary Data

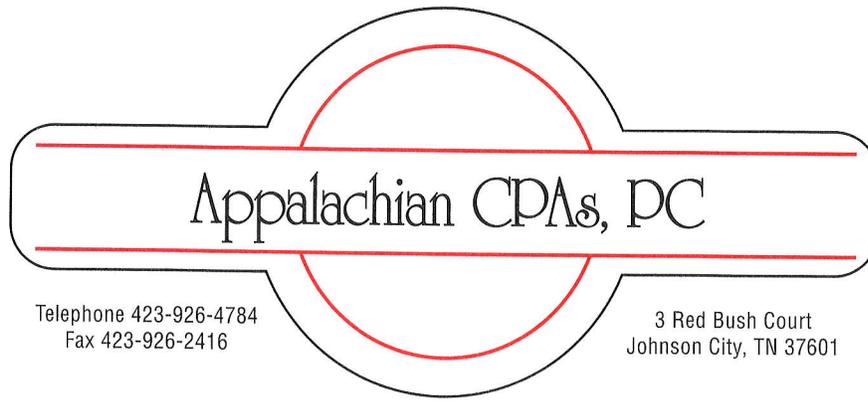
Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Schedule of Revenue and Expenses - Budget to Actual  
June 30, 2012

	<u>Actual</u> <u>(Accrual Basis)</u>	<u>Budget</u> <u>(Accrual Basis)</u>	<u>Variance</u> <u>Under (Over)</u>
<u>Operating Revenues</u>			
Emergency Telephone Service Charge	\$ 134,208	\$ 149,540	\$ 15,332
TECB - Shared Wireless Charge	43,235	229,727	186,492
TECB - Operational Funding	<u>169,267</u>	<u>0</u>	<u>(169,267)</u>
Total Operating Revenues	<u>\$ 346,710</u>	<u>\$ 379,267</u>	<u>\$ 32,557</u>
<u>Operating Expenses</u>			
<u>Salaries and Wages</u>			
Director	\$ 30,688	\$ 34,623	\$ 3,935
Address Mapping	8,320	17,000	8,680
Dispatchers	<u>145,069</u>	<u>167,275</u>	<u>22,206</u>
Total Salaries and Wages	<u>\$ 184,077</u>	<u>\$ 218,898</u>	<u>\$ 34,821</u>
<u>Contracted Services</u>			
Accounting Services	\$ 6,000	\$ 6,000	\$ 0
Audit Services	5,009	6,000	991
Maintenance Agreements	5,992	10,000	4,008
TBI Expenses	2,680	2,680	0
Insurance	712	1,200	488
Lease/Rental Office Equipment	1,210	1,210	0
Maintenance and Repairs- Communications Equipment	<u>2,820</u>	<u>7,500</u>	<u>4,680</u>
Total Contracted Services	<u>\$ 24,423</u>	<u>\$ 34,590</u>	<u>\$ 10,167</u>
<u>Supplies and Materials</u>			
Office Supplies	\$ 4,667	\$ 5,700	\$ 1,033
Data Processing Supplies	1,140	2,000	860
Postage	140	140	0
Utilities - General Telephone	35,848	35,919	71
Utilities - Cell Phones and Pagers	<u>337</u>	<u>409</u>	<u>72</u>
Total Supplies and Materials	<u>\$ 42,132</u>	<u>\$ 44,168</u>	<u>\$ 2,036</u>
<u>Other Charges</u>			
Training Expense	\$ 4,191	\$ 5,000	\$ 809
Travel Expense	<u>3,918</u>	<u>5,000</u>	<u>1,082</u>
Total Other Charges	<u>\$ 8,109</u>	<u>\$ 10,000</u>	<u>\$ 1,891</u>

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Schedule of Revenue and Expenses - Budget to Actual (Continued)  
June 30, 2012

	<u>Actual</u> <u>(Accrual Basis)</u>	<u>Budget</u> <u>(Accrual Basis)</u>	<u>Variance</u> <u>Under (Over)</u>
<u>Depreciation</u>			
Depreciation Expense	\$ 50,360	\$ 68,000	\$ 17,640
Total Depreciation	<u>\$ 50,360</u>	<u>\$ 68,000</u>	<u>\$ 17,640</u>
<u>Total Operating Expenses</u>	<u>\$ 309,101</u>	<u>\$ 375,656</u>	<u>\$ 66,555</u>
<u>Operating Income (Loss)</u>	<u>\$ 37,609</u>	<u>\$ 3,611</u>	<u>\$ (33,998)</u>
<u>Nonoperating Revenues (Expenses)</u>			
Interest Income	\$ 244	\$ 385	\$ 141
Contributions from Primary Government	35,000	0	(35,000)
TECB - Grants and Reimbursements	<u>18,000</u>	<u>0</u>	<u>(18,000)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 53,244</u>	<u>\$ 385</u>	<u>\$ (52,859)</u>
<u>Increase (Decrease) in Net Assets</u>	<u>\$ 90,853</u>	<u>\$ 3,996</u>	<u>\$ (86,857)</u>



November 21, 2012

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

Commissioners of Unicoi County Emergency Communications District  
Erwin, Tennessee

We have audited the financial statements of Unicoi County Emergency Communications District, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 21, 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

In planning and performing our audit, we considered Unicoi 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 Unicoi County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Unicoi County Emergency Communications District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 would not necessarily 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 and responses that we consider to be significant deficiencies in internal control over financial reporting. The finding reference number is 2012-1. A *significant deficiency* is a deficiency, or a 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 Unicoi County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as reference number 2012-2.

Unicoi County Emergency Communications District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the District's responses and, accordingly, do not express an opinion on it.

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

*Appalachian CPAs, PC*

Appalachian CPAs, PC

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Schedule of Audit Findings and Responses  
June 30, 2012

Current Year Significant Deficiency:

2012-1: Controls did not detect shortage in surety bond coverage.

Condition: The administrative controls of the District's Board failed to recognize the requirements of the Tennessee Code Annotated related to Emergency Communications District Law.

Criteria: The Emergency Communications District Law is set forth in Section 7-86 of the Tennessee Code Annotated.

Effect: The District was not aware that they had purchased surety bonds in amounts less than the required amounts.

Recommendation: The District should have a copy of the Emergency Communications District Law, Section 7-86 of the Tennessee Code Annotated in the office as a reference guide.

Management's Response: The District now has a copy of the Emergency Communications District Law, Section 7-86 of the Tennessee Code Annotated and *Accounting and Financial Reporting Manual of Tennessee Emergency Communications Districts* and are implementing the requirements.

Current Year Compliance Finding:

2012-2: Surety bond minimum not maintained.

Condition: The District did not have surety bonds of the minimum amounts as required by Tennessee Code Annotated. The bonds secured were in the amount of \$10,000 each and the required minimum was \$37,700 each.

Criteria: The Tennessee Code Annotated, Section 7-86-119 sets the minimum amount of required surety bonds based on a percentage of the total revenue reported on the prior year audit. For a District with revenue between \$50,000 and \$500,000, the required minimum amount is equal to ten percent of the revenues.

Effect: The District did not have sufficient bond coverage.

Recommendation: The District should increase the surety bond limits to exceed the required minimum amounts.

Management's Response: The bonding agents have been contacted to increase the surety bonds to the appropriate levels.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Schedule of Audit Findings and Responses (Continued)  
June 30, 2012

Prior Year Significant Deficiencies Implemented:

- 2010-1: Board reviewed requirements for the draft approval processes.
- 2010-2: Changes made to mediate the segregation of duties.
- 2011-1: To conserve administration time, the fixed asset schedules has been reviewed and will serve the function of a fixed asset inventory.
- 2011-2: Policies and procedures updated.
- 2011-3: The *Accounting and Financial Reporting Manual of Tennessee Emergency Communications Districts* is being implemented.
- 2011-4: Policies and procedures updated.
- 2011-5: Policies and procedures updated.