

Financial Statements

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

Year Ended June 30, 2012

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Emergency Communications District of
Campbell County, Tennessee
LaFollette, Tennessee

We have audited the accompanying statement of net assets of Emergency Communications District of Campbell County, Tennessee, a component unit of Campbell County, Tennessee, as of June 30, 2012, and the related statement of revenue, expenses and change in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the organization'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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 5 and the schedule of funding progress-political subdivision pension plan supplementary information on page 18 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 that collectively comprise Emergency Communications District of Campbell County, Tennessee's financial statements as a whole. The accompanying information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not required part of the financial statements. The schedule of expenditures of state awards and statement of revenue and expenses - actual and budget 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 procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The schedule of the board of directors has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2013 on our consideration of Emergency Communications District of Campbell County, Tennessee's internal control over financial reporting and on 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 other matters 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.

The image shows a handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

March 7, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Emergency Communications District of Campbell County, Tennessee, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2012. Please read it in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditors' report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities. The statement of net assets includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligations to the District's creditors (liabilities).

All of the current year's revenue and expenses are accounted for in the statement of revenue, expenses, and change in net assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The statement of net assets and the statement of revenue, expenses and change in net assets report information about the District's activities in a way that will help answer this question. The two statements report the net assets of the District and the change in them. One can think of the District's net assets, the difference between assets and liabilities, as one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. A summary of the District's net assets and change in them is presented below:

SUMMARIZED FINANCIAL INFORMATION

	<u>2012</u>	<u>2011</u>
NET ASSETS		
Current assets	\$ 659,331	\$ 588,136
Capital assets, net of accumulated depreciation	<u>630,560</u>	<u>662,074</u>
Total assets	<u>\$ 1,289,890</u>	<u>\$ 1,250,209</u>
Liabilities	\$ 42,600	\$ 47,299
Net assets:		
Invested in capital assets	630,560	662,074
Unrestricted	<u>616,732</u>	<u>540,838</u>
	<u>1,247,290</u>	<u>1,202,910</u>
Total liabilities and net assets	<u>\$ 1,289,890</u>	<u>\$ 1,250,209</u>
CHANGE IN NET ASSETS		
Operating revenue	\$ 435,468	\$ 471,467
Operating expenses	<u>641,932</u>	<u>606,851</u>
Operating (loss)	(206,464)	(135,384)
Nonoperating revenue	<u>250,845</u>	<u>475,137</u>
Change in net assets	44,380	339,753
Beginning net assets	<u>1,202,910</u>	<u>863,158</u>
Ending net assets	<u>\$ 1,247,290</u>	<u>\$ 1,202,910</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As shown by the summarized financial information, the District's net assets have increased by \$44,380 during the year ended June 30, 2012 (\$339,753 during the year ended June 30, 2011). Operating revenue decreased at a rate of 8% in 2012 (increased at a rate of 1% in 2011) while expenses increased at a rate of 6% in 2012 (decreased at a rate of 1% in 2011).

THE DISTRICT'S NET ASSETS

The District completed the year with net assets of \$1,247,290 in 2012 (\$1,202,910 in 2011) which is \$44,380 more than the prior year's ending net assets (\$339,753 more for 2011).

BUDGETARY HIGHLIGHTS

The District adopts an annual opening budget, which includes proposed expenses and the means for paying these expenses. As conditions change during the year, the budget may be amended to prevent budget overruns.

The operations of Emergency Communications District of Campbell County, Tennessee are primarily funded as follows:

- Telephone and Wireless companies “911” fees
- Operational fund program from State of Tennessee Emergency Communications Board (TECB)
- Interest income

Income from landline phone lines decreased from revenue for the prior year and was \$29,344 less than budgeted income for 2012 (\$530 more than budgeted income for 2011). State shared wireless income decreased from revenue for the prior year and was less than budgeted income by \$5,582 in 2012 (\$136 more than budgeted income in 2011).

Total expenditures in most budget categories remained in line with a few exceptions.

CAPITAL ASSETS

The District’s investment in capital assets amounts to \$781,725 with accumulated depreciation of \$151,165. Capital assets include land, leasehold improvements, communications equipment, vehicles, office furniture and office equipment.

ECONOMIC FACTORS AND FUTURE NEEDS

The Emergency Communications District of Campbell County, Tennessee is currently working with the local emergency service responders to provide a better communications system for the entire county. Campbell County has several mountain ridges cutting the center of the county making county-wide communications very difficult in certain locations. The District is working with the Tennessee Wildlife Resource Agency and private property owners to gain the property needed in the right locations for transmitter sites county-wide.

The Emergency Communications District of Campbell County, Tennessee hopes to soon be working with the Campbell County Assessor’s office to start the geographic information system. This system will provide almost unlimited information for the emergency responder, such as providing fire hydrant information, gas and water line locations and power needs. The District is in the process of updating the communications center equipment.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general view of the District’s finances and to show the District’s accountability for the money it receives. If you have any questions about this report or need additional information, please contact Charles Hutson, Director of Emergency Communications District of Campbell County, Tennessee, P.O. Box 344, LaFollette, TN 37766.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS

CURRENT ASSETS

Cash	\$	344,849
Certificates of deposit		264,505
Accounts receivable		11,629
Due from TECB		32,984
Prepaid insurance		<u>5,364</u>

TOTAL CURRENT ASSETS 659,331

CAPITAL ASSETS

Land	\$	188,500
Building		85,748
Communications equipment		472,294
Office equipment		12,740
Vehicles		<u>22,443</u>
		781,725
Accumulated depreciation		<u>(151,165)</u>

TOTAL ASSETS \$ 1,289,890

See the accompanying notes to the financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable		\$ 16,101
Accrued salaries		<u>26,498</u>

TOTAL CURRENT LIABILITIES 42,600

NET ASSETS

Invested in capital assets	\$ 630,560	
Unrestricted	<u>616,732</u>	<u>1,247,290</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,289,890

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

Year Ended June 30, 2012

OPERATING REVENUE

Emergency telephone service charges		\$ 185,156
TECB-shared wireless charge		77,418
TECB-operational funding program		167,173
Other operating revenue		<u>5,720</u>

TOTAL OPERATING REVENUE 435,468

OPERATING EXPENSES

Salaries and wages:		
Administrative personnel	\$ 81,246	
Dispatchers	249,580	
Part-time personnel	<u>14,712</u>	345,537

Employee benefits:		
Payroll taxes	25,713	
Medical insurance	75,746	
Retirement	28,552	
Life insurance	1,954	
Vision insurance	<u>462</u>	132,427

Contracted services:		
Audit services	4,800	
Accounting services	5,350	
Legal services	1,500	
Lease/Rental-communications equipment	39,342	
Maintenance agreements	1,776	
Maintenance and repairs-buildings and facilities	6,436	
Maintenance and repairs-equipment	13,715	
Maintenance and repairs-vehicles	<u>2,333</u>	75,252

Supplies and materials:		
Office supplies	3,838	
Uniforms	2,875	
Utilities	10,408	
Utilities-general telephone	<u>5,548</u>	22,669

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

(continued)

Year Ended June 30, 2012

Other charges:		
Dues and subscriptions	458	
Insurance	11,036	
Training	1,540	
Travel	2,833	
Premiums on surety bonds	1,381	
Miscellaneous	<u>249</u>	17,497
Depreciation		<u>48,551</u>
TOTAL OPERATING EXPENSES		<u>641,932</u>
(LOSS) FROM OPERATIONS		(206,464)
NONOPERATING REVENUE(EXPENSE)		
Contributions from primary government	192,788	
Contributions from other governments	8,000	
TECB-grants	46,957	
Interest income	3,538	
Loss on disposal of equipment	<u>(439)</u>	<u>250,845</u>
CHANGE IN NET ASSETS		44,380
NET ASSETS AT THE BEGINNING OF THE YEAR		<u>1,202,910</u>
NET ASSETS AT THE END OF THE YEAR		<u>\$ 1,247,290</u>

See the accompanying notes to the financial statements.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

CASH PROVIDED(USED) BY OPERATING ACTIVITIES	
Cash received from telephone charges	\$ 423,085
Cash paid to suppliers	(251,941)
Cash paid to employees	<u>(346,140)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(174,995)
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(17,476)
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Contributions from primary government	\$ 192,788
Contributions from other governments	8,000
TECB-grants	<u>46,957</u>
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	247,745
CASH PROVIDED(USED) BY INVESTING ACTIVITIES	
Interest received	3,538
Increase in certificates of deposit	<u>(2,295)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,243</u>
NET INCREASE IN CASH	56,517
CASH AT THE BEGINNING OF THE YEAR	<u>288,332</u>
CASH AT THE END OF THE YEAR	<u><u>\$ 344,849</u></u>

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

STATEMENT OF CASH FLOWS

(continued)

Year Ended June 30, 2012

**RECONCILIATION OF (LOSS) FROM OPERATIONS
TO NET CASH PROVIDED(USED)
BY OPERATING ACTIVITIES**

(Loss) from operations			\$ (206,464)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:			
Depreciation	\$	48,551	
(Increase)decrease in:			
Accounts receivable		6,314	
Due from TECB		(18,697)	
(Decrease) in:			
Accounts payable		(4,096)	
Accrued salaries		(603)	
		<u>31,469</u>	
NET CASH (USED) BY OPERATING ACTIVITIES			<u>\$ (174,995)</u>

See the accompanying notes to the financial statements.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE A - DESCRIPTION OF ORGANIZATION

Emergency Communications District of Campbell County, Tennessee (the District) was created by a county-wide referendum on January 1, 1991. The Campbell County Board of Commissioners appointed the District's Board of Directors pursuant to Tennessee Code Annotated Section 7-86-101. The District is responsible for the installation and maintenance of the emergency communications network of Campbell County, Tennessee (Enhanced 911 Service).

The District is considered a component unit of Campbell County, Tennessee because the Campbell County Board of Commissioners appoints a majority of the District's Board of Directors and must approve any debt issued by the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The District's financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net assets. The statement of revenue, expenses and change in net assets presents increases (revenue) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

Operating revenue is revenue that is generated from the primary operations of the District. All other revenue is reported as nonoperating revenue. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as nonoperating expenses.

GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset groups:

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

Invested in capital assets: This category includes capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2012 has been calculated as follows:

Capital assets	\$ 781,725
Accumulated depreciation	<u>(151,165)</u>
	<u>\$ 630,560</u>

Restricted: This category includes net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District had no restricted net assets as of June 30, 2012.

Unrestricted: This category includes net assets that are not subject to externally imposed stipulations and that do not meet the definition of “restricted” or “invested in capital assets”. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Accounts Receivable

Accounts receivable that are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2012, no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets, which include property and equipment, are recorded at cost. Capital assets are defined by the District as assets with an initial, individual cost of \$500 or more. Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to twenty-five years.

Operating Budget

The District is required by state law to adopt an annual operating budget. The Board of Directors approves the original budget and any amendments, and maintains the legal level of control at the line item level. The budget is prepared on the accrual basis of accounting. All appropriations lapse at the end of the year.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

Compensated Absences

The District's full-time employees are granted vacation leave in varying amounts. In the event of termination, the employee is paid for any unused vacation leave. Unused vacation leave as of June 30, 2012 in the amount of \$26,498 is included as a liability in the statement of net assets.

NOTE C - CASH

Cash and certificates of deposit represent money on deposit in various banks. The District considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

State of Tennessee law authorizes the District to invest in obligations of the United States or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the State of Tennessee Local Government Investment Pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2012 were either insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the District's agent in the District's name.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

NOTE D - CAPITAL ASSETS

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

	<u>Balance</u> <u>7/1/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/12</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 188,500	\$ 0	\$ 0	\$ 188,500
<u>Capital assets being depreciated</u>				
Buildings	86,511	0	(763)	85,748
Communications equipment	456,285	17,476	(1,467)	472,294
Office equipment	12,740	0	0	12,740
Vehicles	<u>22,443</u>	<u>0</u>	<u>0</u>	<u>22,443</u>
	577,979	17,476	(2,230)	593,225
<u>Accumulated depreciation</u>				
Buildings	(35,397)	(2,229)	324	(37,302)
Communications equipment	(34,574)	(46,131)	1,467	(79,237)
Office equipment	(11,992)	(191)	0	(12,183)
Vehicles	<u>(22,443)</u>	<u>0</u>	<u>0</u>	<u>(22,443)</u>
	<u>(104,405)</u>	<u>(48,551)</u>	<u>1,791</u>	<u>(151,165)</u>
	<u>\$ 662,074</u>	<u>\$ (31,075)</u>	<u>\$ (439)</u>	<u>\$ 630,560</u>

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

NOTE E - PENSION PLAN

Plan Description

Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with thirty years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of his duties.

Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of the plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

The District requires employees to contribute 5.0% of earnable compensation.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012 was 8.68% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

Annual Pension Cost

For the year ended June 30, 2012, the District's annual pension cost of \$28,587 to the TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include: (a) a rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually.

The actuarial value of plan assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The District's unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 9 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 28,587	100.00%	\$ 0
6/30/11	28,009	100.00	0
6/30/10	28,741	100.00	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 93.64% funded. The actuarial accrued liability (AAL) for benefits was \$0.56 million, and the actuarial value of assets was \$0.52 million, resulting in a UAAL of \$0.04 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.34 million, and the ratio of the UAAL to the covered payroll was 10.40%.

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

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

Actuarial valuation date	7/1/11	7/1/09	7/1/07
Actuarial value of plan assets	\$ 525,000	\$ 340,000	\$ 249,000
Actuarial accrued liability (AAL)	560,000	383,000	298,000
Unfunded AAL (UAAL)	36,000	43,000	49,000
Funded ratio	93.64%	88.80%	83.56%
Covered payroll	343,000	299,000	205,000
UAAL as a percentage of covered payroll	10.40%	14.34%	23.90%

NOTE F - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss, including general liability and workers' compensation coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

FUNDING PROGRESS – POLITICAL SUBDIVISION
PENSION PLAN SUPPLEMENTARY INFORMATION

June 30, 2012

Actuarial valuation date	7/1/11	7/1/09	7/1/07
Actuarial value of plan assets	\$ 525,000	\$ 340,000	\$ 249,000
Actuarial accrued liability (AAL)	560,000	383,000	298,000
Unfunded AAL (UAAL)	36,000	43,000	49,000
Funded ratio	93.64%	88.80%	83.56%
Covered payroll	343,000	299,000	205,000
UAAL as a percentage of covered payroll	10.40%	14.34%	23.90%

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

Year Ended June 30, 2012

	<u>Actual</u> <u>(Accrual Basis)</u>	<u>Budget</u> <u>(Accrual Basis)</u>	<u>Variance</u> <u>Over (Under)</u>
OPERATING REVENUE			
Emergency telephone service charges	\$ 185,156	\$ 214,500	\$ (29,344)
TECB-shared wireless charge	77,418	83,000	(5,582)
TECB-operational funding program	167,173	167,000	173
Other operating revenue	<u>5,720</u>	<u>4,800</u>	<u>920</u>
TOTAL OPERATING REVENUE	435,468	469,300	(33,832)
OPERATING EXPENSES			
Salaries and wages:			
Administrative personnel	81,246	99,000	(17,754)
Dispatchers	249,580	244,000	5,580
Part-time personnel	<u>14,712</u>	<u>20,000</u>	<u>(5,288)</u>
	345,537	363,000	(17,463)
Employee benefits:			
Payroll taxes	25,713	30,000	(4,287)
Medical insurance	75,746	100,000	(24,254)
Retirement	28,552	30,000	(1,448)
Life insurance	1,954	3,000	(1,046)
Vision insurance	<u>462</u>	<u>0</u>	<u>462</u>
	132,427	163,000	(30,573)
Contracted services:			
Audit services	4,800	6,000	(1,200)
Accounting services	5,350	6,000	(650)
Legal services	1,500	2,500	(1,000)
Lease/Rental-communications equipment	39,342	65,500	(26,158)
Maintenance agreements	1,776	3,000	(1,224)
Maintenance and repairs-			
buildings and facilities	6,436	15,000	(8,564)
Maintenance and repairs-equipment	13,715	15,500	(1,785)
Maintenance and repairs-vehicles	<u>2,333</u>	<u>11,000</u>	<u>(8,667)</u>
	75,252	124,500	(49,248)

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2012

	<u>Actual</u> <u>(Accrual Basis)</u>	<u>Budget</u> <u>(Accrual Basis)</u>	<u>Variance</u> <u>Over (Under)</u>
Supplies and materials:			
Office supplies	3,838	2,500	1,338
Uniforms	2,875	4,000	(1,125)
Utilities	10,408	12,000	(1,592)
Utilities-general telephone	5,548	9,000	(3,452)
	<u>22,669</u>	<u>27,500</u>	<u>(4,831)</u>
Other charges:			
Dues and subscriptions	458	5,000	(4,542)
Insurance	11,036	13,000	(1,964)
Training	1,540	5,000	(3,460)
Travel	2,833	10,000	(7,167)
Premiums on surety bonds	1,381	1,000	381
Board meeting expense	0	1,500	(1,500)
Miscellaneous	249	4,300	(4,051)
	<u>17,497</u>	<u>39,800</u>	<u>(22,303)</u>
Depreciation	<u>48,551</u>	<u>0</u>	<u>48,551</u>
TOTAL OPERATING EXPENSES	<u>641,932</u>	<u>717,800</u>	<u>(75,868)</u>
(LOSS) FROM OPERATIONS	(206,464)	(248,500)	(42,036)

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2012

	<u>Actual</u> <u>(Accrual Basis)</u>	<u>Budget</u> <u>(Accrual Basis)</u>	<u>Variance</u> <u>Over (Under)</u>
NONOPERATING REVENUE(EXPENSE)			
Contributions from primary government	192,788	191,000	1,788
Contributions from other governments	8,000	20,000	(12,000)
TECB-grants	46,957	37,500	9,457
Interest income	3,538	0	3,538
Loss on disposal of equipment	(439)	0	(439)
	<u>250,845</u>	<u>248,500</u>	<u>2,345</u>
CHANGE IN NET ASSETS	44,380	0	44,380
NET ASSETS AT THE BEGINNING OF THE YEAR			
	<u>1,202,910</u>	<u>1,202,910</u>	<u>0</u>
NET ASSETS AT THE END OF THE YEAR			
	<u>\$ 1,247,290</u>	<u>\$ 1,202,910</u>	<u>\$ 44,380</u>

See the accompanying independent accountants' audit report.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY TENNESSEE

EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2012

<u>Grant Number</u>	<u>Grant Purpose</u>	<u>State Grantor</u>
N/A	Mapping and Addressing	Tennessee Department of Commerce and Insurance
N/A	Dispatcher Training	Tennessee Department of Commerce and Insurance

See the accompanying independent accountants' audit report.

<u>Receivable July 1, 2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable June 30, 2012</u>
\$ 0	\$ 19,223	\$ 38,957	\$ 19,733
<u>0</u>	<u>8,000</u>	<u>8,000</u>	<u>0</u>
<u>\$ 0</u>	<u>\$ 27,223</u>	<u>\$ 46,957</u>	<u>\$ 19,733</u>

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

BOARD OF DIRECTORS

June 30, 2012

Bill Widener
James Hatmaker
Regina Blankenship
Sara Lloyd
Bobby Housley
Josh Parker
Robbie Goins
Marlena Broadway
Danny Sheckles

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Emergency Communications District of
Campbell County, Tennessee
LaFollette, Tennessee

We have audited the financial statements of Emergency Communications District of Campbell County, Tennessee, a component unit of Campbell County, Tennessee, as of and for the year ended June 30, 2012, and have issued our report thereon dated March 7, 2013. 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 of America.

Internal Control Over Financial Reporting

Management of Emergency Communications District of Campbell County, Tennessee is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Emergency Communications District of Campbell County, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Emergency Communications District of Campbell County, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Emergency Communications District of Campbell County, Tennessee'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 Emergency Communications District of Campbell County, Tennessee'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emergency Communications District of Campbell County, Tennessee'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; 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*.

However, we noted certain matters that we have reported to the management of Emergency Communications District of Campbell County, Tennessee in a separate letter dated March 7, 2013.

This report is intended solely for the information and use of management and government regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mitchell Emert + Hill

March 7, 2013