

Financial Statements

COCKE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Years Ended June 30, 2012 and 2011

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Cocke County Emergency Communications District
Newport, Tennessee

We have audited the accompanying statements of net assets of Cocke County Emergency Communications District, a component unit of Cocke County, Tennessee, as of June 30, 2012 and 2011 and the related statements of revenue, expenses and change in net assets and statements of cash flows for the years 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 audits.

We conducted our audits 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 audits 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 audits provide 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 Cocke County Emergency Communications District as of June 30, 2012 and 2011 and the changes in its financial positions and its cash flows for the years 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 through 5 and the schedule of funding progress-political subdivision pension plan information on page 20 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cocke County Emergency Communications District'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 audits 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 audits 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 January 9, 2013 on our consideration of Cocke County Emergency Communications District'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 audits.

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

January 9, 2013

***COCKE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT (E-911)
145 Mineral Street
Newport, Tennessee 37821***

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Cocke County Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal years ended June 30, 2012, 2011 and 2010. 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 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 credit (liabilities).

All of the current year's revenues 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 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 changes in them is presented below:

SUMMARIZED FINANCIAL INFORMATION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
NET ASSETS			
Current assets	\$ 1,580,700	\$ 1,380,009	\$ 1,237,674
Capital assets	<u>488,846</u>	<u>560,944</u>	<u>589,569</u>
Total assets	<u>\$ 2,069,546</u>	<u>\$ 1,940,954</u>	<u>\$ 1,827,243</u>
Liabilities	\$ 15,905	\$ 0	\$ 42,201
Net assets:			
Invested in capital assets	488,845	560,944	589,569
Unrestricted	<u>1,564,796</u>	<u>1,380,009</u>	<u>1,195,473</u>
	<u>2,053,642</u>	<u>1,940,954</u>	<u>1,785,042</u>
Total liabilities and net assets	<u>\$ 2,069,546</u>	<u>\$ 1,940,954</u>	<u>\$ 1,827,243</u>
CHANGE IN NET ASSETS			
Operating revenue	\$ 481,383	\$ 486,266	\$ 448,935
Operating expenses	<u>466,364</u>	<u>449,223</u>	<u>430,486</u>
Operating income	15,020	37,043	18,450
Nonoperating revenue	<u>97,668</u>	<u>118,868</u>	<u>259,000</u>
Change in net assets	112,688	155,911	277,449
Beginning net assets	<u>1,940,954</u>	<u>1,785,042</u>	<u>1,507,593</u>
Ending net assets	<u>\$ 2,053,642</u>	<u>\$ 1,940,954</u>	<u>\$ 1,785,042</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As shown by the summarized financial information, the District's net assets have increased by \$112,688 during the year ended June 30, 2012 (\$155,911 during the year ended June 30, 2011 and \$277,449 during the year ended June 30, 2010). Operating revenue decreased at a rate of 1% in 2012 (increased 7% in 2011 and 1% in 2010) while expenses increased at a rate of 4% (4% in 2011 and 9% in 2010).

THE DISTRICT'S NET ASSETS

The District completed the year with net assets of \$2,053,642 (\$1,940,954 in 2011 and \$1,785,042 in 2010) which is \$112,688 more than the prior year's ending net assets (\$155,911 more in 2011 and \$277,449 more in 2010).

BUDGETARY HIGHLIGHTS

The District adopts an annual operating 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 the Cocke County Emergency Communications District 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 residential phone lines decreased from revenue for the prior year and was \$26,200 more than budgeted income (\$39,365 more in 2011 and \$2,253 more in 2010). State shared wireless income and income from private carriers decreased from revenue for the prior year and was less than budgeted income by \$6,991 (\$2,252 less than budgeted income in 2011 and \$80,034 in 2010).

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

CAPITAL ASSETS

The District's investment in capital assets amounts to \$895,169 (\$919,934 in 2011 and \$926,273 in 2010) with accumulated depreciation of \$406,323 (\$358,990 in 2011 and \$336,704 in 2010). Capital assets include the leasehold improvements, communications equipment, vehicles, as well as office furniture and office equipment.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing the Cocke County Emergency Communications District is the potential decrease in revenue generated from landline telephones. Many residents now use cell phones for the residential lines. While the increase in cell phone use is generating revenue, only a portion of that revenue is being returned to each 911 district under the current system being used by the state for distributing shared wireless fees. The uncertainty of landline use and income from shared wireless fees has become a problem in estimating revenue for budget preparation. However, recent reports from telephone companies indicate that monthly losses of landline revenue may be stabilizing and may remain at a more manageable level in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The 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 question or need additional information, contact Crystal Ottinger, Interim Director at the address on the letterhead.

Crystal Ottinger, Interim Director

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF NET ASSETS

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,540,062	\$ 1,294,198
Accounts receivable	23,301	25,465
Due from TECB	13,736	54,003
Prepaid expenses	<u>3,602</u>	<u>6,343</u>
TOTAL CURRENT ASSETS	1,580,700	1,380,009
CAPITAL ASSETS		
Communications equipment	679,291	718,559
Office equipment	96,047	96,047
Vehicles	46,456	46,456
Leasehold improvements	<u>73,375</u>	<u>58,873</u>
	895,168	919,934
Accumulated depreciation	<u>(406,323)</u>	<u>(358,990)</u>
	<u>488,845</u>	<u>560,944</u>
TOTAL ASSETS	<u>\$ 2,069,546</u>	<u>\$ 1,940,954</u>

See the accompanying notes to the financial statements.

	<u>2012</u>	<u>2011</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 12,050	\$ 0
Payroll deductions payable	<u>3,855</u>	<u>0</u>
TOTAL CURRENT LIABILITIES	15,905	0
NET ASSETS		
Invested in capital assets	488,845	560,944
Unrestricted	<u>1,564,796</u>	<u>1,380,009</u>
	<u>2,053,642</u>	<u>1,940,954</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,069,546</u>	<u>\$ 1,940,954</u>

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUE		
Emergency telephone service charges	\$ 231,200	\$ 231,365
TECB-shared wireless charge	83,010	87,748
TECB-operational funding program	167,173	167,153
TOTAL OPERATING REVENUE	481,383	486,266
OPERATING EXPENSES		
Salaries and wages:		
Director	50,551	46,742
Administrative personnel	38,203	35,306
Overtime	7,289	8,407
Part-time personnel	89,203	76,345
	185,246	166,800
Employee benefits:		
Social security	11,609	10,472
Medicare	2,715	2,449
Medical insurance	30,916	32,927
Dental insurance	1,076	1,000
Retirement	14,732	10,175
	61,048	57,023
Contracted services:		
Advertising	254	269
Audit services	4,600	4,200
Contracts with private agencies	1,080	1,041
Fuel-vehicles	3,053	2,730
Janitorial services	2,748	2,487
Lease/Rental-office equipment	1,104	1,206
Maintenance agreements	34,537	25,583
Pest control	676	670
NCIC/TBI/TIES	2,800	6,560

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

(continued)

Years Ended June 30, 2012 and 2011

	2012	2011
Contracted services(continued):		
Maintenance and repairs-buildings and facilities	5,227	8,767
Maintenance and repairs-communications equipment	4,254	9,509
Maintenance and repairs-vehicles	373	220
	60,705	63,242
Supplies and materials:		
Office supplies	2,677	2,958
Custodial supplies	521	1,314
Data processing supplies	1,222	3,737
Postage	273	399
Small equipment purchases	338	1,385
Other supplies and materials	0	1,963
Utilities-electric	5,810	5,940
Utilities-gas	542	762
Utilities-water	406	327
Utilities-general telephone	31,672	32,000
Utilities-cell phones and pagers	900	900
	44,361	51,686
Other charges:		
Board meeting expense	0	33
Dues and memberships	598	672
Insurance	14,999	13,337
Public education	5,890	5,637
Service awards	493	0
Training	4,744	4,833
Travel	3,123	4,505
Internet charges	1,129	1,016
	30,976	30,032

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

(continued)

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Depreciation	<u>84,028</u>	<u>80,440</u>
TOTAL OPERATING EXPENSES	<u>466,364</u>	<u>449,223</u>
INCOME FROM OPERATIONS	15,020	37,043
NONOPERATING REVENUE(EXPENSE)		
Contributions from other governments	55,572	51,512
TECB-grants	46,957	64,565
Interest income	3,385	2,791
Loss on disposal of equipment	<u>(8,245)</u>	<u>0</u>
	<u>97,668</u>	<u>118,868</u>
CHANGE IN NET ASSETS	112,688	155,911
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>1,940,954</u>	<u>1,785,042</u>
NET ASSETS AT THE END OF THE YEAR	<u><u>\$ 2,053,642</u></u>	<u><u>\$ 1,940,954</u></u>

See the accompanying notes to the financial statements.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2012 and 2011

	2012	2011
CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Cash received from telephone charges	\$ 484,368	\$ 492,137
Cash paid to employees	(185,246)	(161,952)
Cash paid to suppliers	(178,444)	(243,635)
NET CASH PROVIDED BY OPERATING ACTIVITIES	120,679	86,551
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(20,174)	(51,815)
TECB-grants	39,445	7,119
NET CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	19,271	(44,696)
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from other governments	55,572	51,512
TECB-grants	46,957	18,000
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	102,529	69,512
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
Interest received	3,385	2,791
NET INCREASE IN CASH	245,864	114,159
CASH AT THE BEGINNING OF THE YEAR	1,294,198	1,180,039
CASH AT THE END OF THE YEAR	\$ 1,540,062	\$ 1,294,198

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF CASH FLOWS

(continued)

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Income from operations	\$ 15,020	\$ 37,043
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	84,028	80,440
(Increase)decrease in:		
Accounts receivable	2,164	6,014
Due from TECB	821	(143)
Prepaid expenses	2,741	5,397
Increase(decrease) in:		
Accounts payable	12,050	(30,151)
Due to TECB	0	(7,119)
Payroll deductions payable	3,855	(4,930)
	<u>105,659</u>	<u>49,507</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 120,679</u>	<u>\$ 86,551</u>

See the accompanying notes to the financial statements.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE A - DESCRIPTION OF ORGANIZATION

Cocke County Emergency Communications District (the District) was created by a countywide referendum on November 8, 1988. The Cocke County Board of Commissioners appointed the District's initial Board of Directors on February 21, 1989 pursuant to Chapter 867 of the Public Acts of 1984. The District is responsible for the installation and maintenance of the emergency communications network of Cocke County, Tennessee (Enhanced 911 Service). The communications system became operational on November 15, 1992.

The District is considered a component unit of Cocke County, Tennessee because the Cocke 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:

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012 and 2011

Invested in capital assets: This category includes capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2012 and 2011 has been calculated as follows:

	<u>2012</u>	<u>2011</u>
Capital assets	\$ 895,168	\$ 919,934
Accumulated depreciation	<u>(406,323)</u>	<u>(358,990)</u>
	<u>\$ 488,845</u>	<u>\$ 560,944</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 and 2011.

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 and 2011, 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 thirty 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.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012 and 2011

Compensated Absences

The District's full-time employees are granted vacation leave in varying amounts and may accumulate a maximum of 25 days. In the event of termination, the employee is paid for any unused vacation leave.

NOTE C - CASH

Cash represents 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 Treasurer's 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 of the District's cash and cash equivalent balances at June 30, 2012 were entirely insured through the Federal Deposit Insurance Corporation, the State of Tennessee Bank Collateral Pool or collateralized with securities held by the District's agent in the District's name.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012 and 2011

NOTE D - CAPITAL ASSETS

Capital asset 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 being depreciated</u>				
Communications equipment	\$ 718,559	\$ 4,649	\$ (43,917)	\$ 679,291
Office equipment	96,047	0	0	96,047
Vehicles	46,456	0	0	46,456
Leasehold improvements	<u>58,873</u>	<u>15,525</u>	<u>(1,023)</u>	<u>73,375</u>
	919,934	20,174	(44,940)	895,168
<u>Accumulated depreciation</u>				
Communications equipment	(268,547)	(66,131)	35,842	(298,836)
Office equipment	(31,591)	(9,366)	0	(40,956)
Vehicles	(29,316)	(4,897)	0	(34,213)
Leasehold improvements	<u>(29,537)</u>	<u>(3,634)</u>	<u>852</u>	<u>(32,319)</u>
	<u>(358,990)</u>	<u>(84,028)</u>	<u>36,695</u>	<u>(406,323)</u>
	<u>\$ 560,944</u>	<u>\$ (63,854)</u>	<u>\$ (8,245)</u>	<u>\$ 488,845</u>

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012 and 2011

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance</u> <u>7/1/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/11</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 766,362	\$ 1,387	\$ (49,190)	\$ 718,559
Office equipment	54,583	50,428	(8,964)	96,047
Vehicles	46,456	0	0	46,456
Leasehold improvements	<u>58,873</u>	<u>0</u>	<u>0</u>	<u>58,873</u>
	926,273	51,815	(58,154)	919,934
<u>Accumulated depreciation</u>				
Communications equipment	(251,357)	(66,380)	49,190	(268,547)
Office equipment	(34,953)	(5,602)	8,964	(31,591)
Vehicles	(24,419)	(4,897)	0	(29,316)
Leasehold improvements	<u>(25,976)</u>	<u>(3,561)</u>	<u>0</u>	<u>(29,537)</u>
	<u>(336,704)</u>	<u>(80,440)</u>	<u>58,154</u>	<u>(358,990)</u>
	<u>\$ 589,569</u>	<u>\$ (28,625)</u>	<u>\$ 0</u>	<u>\$ 560,944</u>

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 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for a disability that is the result of an accident or injury occurring while the member was in the performance of his duties.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012 and 2011

Members joining the system after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in the 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 10.26% 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.

Annual Pension Cost

For the year ended June 30, 2012, the District's annual pension cost of \$14,475 to 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) 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 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 19 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012 and 2011

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	\$ 14,475	100.00%	\$ 0
6/30/11	10,905	100.00	0
6/30/10	10,175	100.00	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 50.15% funded. The actuarial accrued liability (AAL) for benefits was \$0.11 million, and the actuarial value of assets was \$0.06 million, resulting in a UAAL of \$0.06 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.10 million, and the ratio of the UAAL to the covered payroll was 54.34%.

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

	7/1/11	7/1/09	7/1/07
Actuarial valuation date	7/1/11	7/1/09	7/1/07
Actuarial value of plan assets	\$ 57,000	\$ 15,000	\$ 0
Actuarial accrued liability (AAL)	113,000	93,000	N/A
Unfunded AAL (UAAL)	57,000	78,000	N/A
Funded ratio	50.15%	16.51%	N/A
Covered payroll	104,000	117,000	0
UAAL as a percentage of covered payroll	54.34%	66.07%	N/A

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012 and 2011

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.

NOTE G - LEASE OBLIGATIONS

The District leases its facilities from the City of Newport, Tennessee under an operating lease expiring in January 2015. The terms of the lease provide for lease payments of \$1.00 per year.

REQUIRED SUPPLEMENTARY INFORMATION

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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	\$ 57,000	\$ 15,000	\$ 0
Actuarial accrued liability (AAL)	113,000	93,000	N/A
Unfunded AAL (UAAL)	57,000	78,000	N/A
Funded ratio	50.15%	16.51%	N/A
Covered payroll	104,000	117,000	0
UAAL as a percentage of covered payroll	54.34%	66.07%	N/A

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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	\$ 231,200	\$ 205,000	\$ 26,200
TECB-shared wireless charge	83,010	90,000	(6,991)
TECB-operational funding program	<u>167,173</u>	<u>135,000</u>	<u>32,173</u>
TOTAL OPERATING REVENUE	481,383	430,000	51,383
OPERATING EXPENSES			
Salaries and wages:			
Director	50,551	50,551	(0)
Administrative personnel	38,203	38,206	(3)
Overtime	7,289	9,200	(1,911)
Part-time personnel	<u>89,203</u>	<u>74,460</u>	<u>14,743</u>
	185,246	172,417	12,830
Employee benefits:			
Social security	11,609	24,300	(12,691)
Medicare	2,715	5,800	(3,085)
Medical insurance	30,916	30,918	(2)
Dental insurance	1,076	1,082	(6)
Retirement	14,732	14,900	(168)
Unemployment	<u>0</u>	<u>1,000</u>	<u>(1,000)</u>
	61,048	78,000	(16,952)
Contracted services:			
Advertising	254	300	(47)
Audit services	4,600	4,600	0
Contracts with private agencies	1,080	1,200	(120)
Fuel-vehicles	3,053	3,000	53
Janitorial services	2,748	2,700	48
Lease/Rental-office equipment	1,104	1,200	(96)
Maintenance agreements	34,537	26,400	8,137
Pest control	676	700	(24)
NCIC/TBI/TIES expenses	2,800	7,500	(4,700)

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2012

	<u>Actual</u> (Accrual basis)	<u>Budget</u> (Accrual basis)	<u>Variance</u> Over (Under)
Contracted services(continued):			
Maintenance and repairs- communications equipment	4,254	10,000	(5,746)
Maintenance and repairs- buildings and facilities	5,227	10,000	(4,773)
Maintenance and repairs- office equipment	0	500	(500)
Maintenance and repairs-vehicles	373	2,000	(1,627)
	<u>60,705</u>	<u>70,100</u>	<u>(9,395)</u>
Supplies and materials:			
Office supplies	2,677	3,500	(823)
Custodial supplies	521	1,000	(479)
Data processing supplies	1,222	4,000	(2,778)
Postage	273	450	(177)
Small equipment purchases	338	10,000	(9,662)
Utilities-electric	5,810	6,500	(690)
Utilities-gas	542	1,000	(458)
Utilities-water	406	600	(194)
Utilities-general telephone	31,672	36,000	(4,328)
Utilities-cell phones and pagers	900	900	0
	<u>44,361</u>	<u>63,950</u>	<u>(19,589)</u>
Other charges:			
Board meeting expense	0	200	(200)
Dues and memberships	598	750	(152)
Insurance	14,999	15,340	(342)
Public education	5,890	6,000	(110)
Service awards	493	500	(7)
Training	4,744	8,000	(3,256)
Travel	3,123	10,000	(6,877)
Internet charges	1,129	1,500	(371)
Other charges	0	1,860	(1,860)
	<u>30,976</u>	<u>44,150</u>	<u>(13,174)</u>

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2012

	<u>Actual</u> (Accrual basis)	<u>Budget</u> (Accrual basis)	<u>Variance</u> Over (Under)
Depreciation	<u>84,028</u>	<u>0</u>	<u>84,028</u>
TOTAL OPERATING EXPENSES	<u>466,364</u>	<u>428,617</u>	<u>37,746</u>
INCOME FROM OPERATIONS	15,020	1,383	13,637
NONOPERATING REVENUE			
(EXPENSE)			
Contributions from other governments	55,572	53,000	2,572
TECB-grants	46,957	18,000	28,957
Interest income	3,385	3,000	385
Loss on disposal of equipment	<u>(8,245)</u>	<u>0</u>	<u>(8,245)</u>
	<u>97,668</u>	<u>74,000</u>	<u>23,668</u>
CHANGE IN NET ASSETS	112,688	75,383	37,305
NET ASSETS AT THE BEGINNING			
OF THE YEAR	<u>1,940,954</u>	<u>1,940,954</u>	<u>0</u>
NET ASSETS AT THE END			
OF THE YEAR	<u>\$ 2,053,642</u>	<u>\$ 2,016,336</u>	<u>\$ 37,305</u>

See the accompanying independent accountants' audit report.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2012

<u>Grant Number</u>	<u>Grant Purpose</u>	<u>State Grantor</u>
N/A	GIS Mapping Maintenance	Tennessee Department of Commerce and Insurance
N/A	Rural Dispatcher Training	Tennessee Department of Commerce and Insurance
N/A	Equipment Upgrade	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	\$ 38,957	\$ 38,957	\$ 0
0	8,000	8,000	0
<u>39,445</u>	<u>39,445</u>	<u>0</u>	<u>0</u>
<u>\$ 39,445</u>	<u>\$ 86,402</u>	<u>\$ 46,957</u>	<u>\$ 0</u>

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BOARD OF DIRECTORS

June 30, 2012

Maurice Shults
Newell Byrd
Randy Ragan
William Smallwood
Armando Fontes
Connie Ball
Jimmy Hensley
Norman Smith
Vanessa Dennis

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
Coke County Emergency Communications District
Newport, Tennessee

We have audited the financial statements of Coke County Emergency Communications District, a component unit of Coke County, Tennessee, as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated January 9, 2013. We conducted our audits 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 Coke County Emergency Communications District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered Coke County Emergency Communications District'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 Coke County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Coke 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 Coke County Emergency Communications District'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 Cocke 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 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 Cocke County Emergency Communications District in a separate letter dated January 9, 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

January 9, 2013