
**CROCKETT COUNTY
EMERGENCY COMMUNICATIONS DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2012**

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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INTRODUCTORY SECTION

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OFFICIALS AND KEY EMPLOYEES
June 30, 2012**

Ben Mehr, Chairperson

Brandon Ward, Vice-Chairman

Casey Burnett, Board Member

Sherri Gideon, Board Member

Lloyd Johnson, Board Member

Jim Knox, Board Member

Jackie Perry, Board Member

Timmy Williams, Board Member

William Young, Board Member

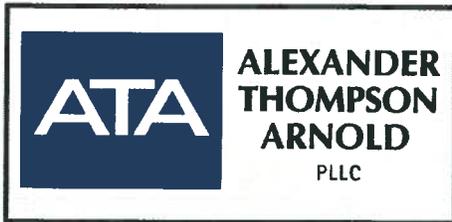
Management Official

Brian Black, Executive Director
Michelle Smallwood, Administrative Director

Independent Certified Public Accountant

Alexander Thompson Arnold PLLC
Dyersburg, Tennessee

FINANCIAL SECTION



Certified Public Accountants

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AICPA Employee Benefit Plan Audit Quality Center
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Independent Auditor's Report

Board of Directors
Crockett County Emergency Communications District
Alamo, Tennessee

We have audited the accompanying financial statements of Crockett County Emergency Communications District (a component unit of Crockett County, Tennessee) (the District) as of and for the year ended June 30, 2012, as listed in the Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2013, on our consideration of the 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 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.

Board of Directors
Crockett County Emergency Communications District
Alamo, Tennessee

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Alexander Thompson Arnold PLLC

Certified Public Accountants
Dyersburg, Tennessee
January 7, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Crockett County Emergency Communications District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. All amounts, unless otherwise indicated, are expressed in actual dollars.

FINANCIAL HIGHLIGHTS

Management believes the District's financial condition is strong. The District is well within its budget and the more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were \$738 thousand and exceeded liabilities in the amount of \$734 thousand (i.e. net assets). Total assets decreased by \$95 thousand.
- Net assets decreased \$54 thousand during the current year.
- Operating revenues were \$251 thousand, an increase from year 2011 in the amount of \$19 thousand or 8.00%.
- Operating expenses were \$308 thousand, an increase from year 2011 in the amount of \$34 thousand or 12.51%.
- The operating loss for the year was \$58 thousand as compared to a \$42 thousand operating loss during the 2011 fiscal year.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the District's strategic plan, budget and other management tools were used for this analysis. The financial report is made up of 4 sections: 1) the introductory section, 2) the financial section, 3) the other supplemental information, and 4) the internal control and compliance section. The introductory section includes the District's directory. The financial section includes the MD&A, the independent auditor's report, the financial statements with accompanying notes, and the supplementary information. The other supplementary information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

REQUIRED FINANCIAL STATEMENTS

A Proprietary Fund is used to account for the operations of the District, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements report information about the District, using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *Statement of Net Assets* presents the financial position of the District on a full accrual, historical cost basis. The statement of net assets includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the District's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the 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 the related cash flows. This statement measures the success of the District's operations and can be used to determine whether the District has successfully recovered all of its costs. This statement also measures the District's profitability and credit worthiness.

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. A *Supplementary Schedule* comparing the budget to actual expenses is also presented.

FINANCIAL ANALYSIS

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in the net assets. Net assets are one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The District's total net assets decreased by \$54 thousand for the fiscal year ended June 30, 2012. The analysis below focuses on the District's net assets (Table 1) and changes in net assets (Table 2) during the year.

The decrease in capital assets was the result of the depreciation of the new emergency equipment, which replaced the system that was destroyed by lightning.

Changes in the District's net assets can be determined by reviewing the following condensed Statement of Income, Expenses and Changes in Net Assets for the years.

Table 2A
CONDENSED STATEMENT NET ASSETS

			Increase (Decrease)	
	June 30, 2012	June 30, 2011	\$	%
Current and other assets	\$ 395,738	\$ 417,474	\$ (21,736)	-5.21%
Capital assets	342,647	416,162	(73,515)	-17.66%
Total assets	738,385	833,636	(95,251)	-11.43%
Total liabilities	4,614	45,477	(40,863)	-89.85%
Investment in capital assets	342,647	416,162	(73,515)	-17.66%
Unrestricted net assets	391,124	371,997	19,127	5.14%
Total net assets	\$ 733,771	\$ 788,159	\$ (54,388)	-6.90%

Table 2B
**CONDENSED STATEMENT OF INCOME, EXPENSES
AND CHANGES IN NET ASSETS**

			Increase (Decrease)	
	June 30, 2012	June 30, 2011	\$	%
Operating revenues	\$ 232,642	\$ 232,067	\$ 575	0.25%
Non-operating revenues	21,228	6,660	14,568	218.74%
Total revenues	253,870	238,727	15,143	6.34%
Salaries and wages	102,703	92,843	9,860	10.62%
Employee benefits	8,207	5,727	2,480	43.30%
Contracted services	58,675	49,246	9,429	19.15%
Supplies and materials	33,029	22,545	10,484	46.50%
Other charges	23,712	21,308	2,404	11.28%
Depreciation	81,932	82,322	(390)	-0.47%
Total expenses	308,258	273,991	34,267	12.51%
Change in net assets	(54,388)	(35,264)	(19,124)	54.23%
Beginning net assets	788,159	784,217	3,942	0.50%
Prior Period Adjustment	-	39,206	(39,206)	
Beginning net assets-Restated	788,159	823,423	(35,264)	-4.28%
Ending net assets	\$ 733,771	\$ 788,159	(54,388)	-6.90%

Operating revenues showed a 8.00% increase from 2011 to 2012. Expenses increase 12.51% from 2011 to 2012. The increase in expenses is due to additional costs required to operate new communications equipment at a higher level, as well as recurring expenses related to the new administration office.

CAPITAL ASSETS

At the end of the fiscal year 2012, the system had \$343 thousand (net of accumulated depreciation) invested in a broad range of District capital assets. This investment includes automobiles, equipment and various fixtures and pieces of furniture. Based on the uses of the aforementioned assets, they are classified for financial purposes as leasehold improvements, furniture and fixtures, office equipment,

and communication equipment. This investment represents an overall decrease (net of increases and decreases) of \$74 thousand or 17.66% from last year.

The following tables summarize the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2012. These changes are presented in detail in Note 2B to the financial statements.

The District plans on using existing financial resources to keep upgrading existing systems and adding new systems where it sees fit and remain in compliance with the Tennessee Emergency Communications Board guidelines.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30,	June 30,	Increase (Decrease)	
	2012	2011	\$	%
Land	\$ 50,279	\$ 50,279	\$ -	0.00%
Leasehold Improvements	2,288	2,679	(391)	100.00%
Furniture and fixtures	4,606	5,429	(823)	-15.16%
Office equipment	7,762	3,092	4,670	151.03%
Communication equipment	<u>277,712</u>	<u>354,683</u>	<u>(76,971)</u>	<u>-21.70%</u>
Total capital assets, net of accumulated depreciation	<u>\$ 342,647</u>	<u>\$ 416,162</u>	<u>\$ (73,515)</u>	<u>-17.66%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Due to the increased use of wireless devices, the District expects shared wireless revenue to continue to increase in future years. The District's surcharge for each wireless device is currently set at \$1.00. This rate is set by the State and is not expected to increase in the coming year. Due to the decreased use of landline phones, the District expects the emergency telephone service charge revenue to decrease in future years. The District's surcharge is currently set at \$.65 and \$1.50 for residential and business lines, respectively.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Executive Director of the Crockett County Emergency Communications District, 17 South Court Street; Alamo, TN 38001.

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

ASSETS

Current assets

Cash and cash equivalents	\$	376,702
Accounts receivable		4,192
Accrued interest receivable		301
Prepaid expenses		<u>14,543</u>
Total current assets		395,738

Noncurrent assets

Capital assets

Building and improvements		2,744
Land		50,279
Furniture and fixtures		13,499
Office equipment		14,378
Communication equipment		585,092
Accumulated depreciation		<u>(323,345)</u>
Net capital assets		<u>342,647</u>

Total assets		738,385
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LIABILITIES

Accounts payable		2,370
Payroll taxes payable		<u>2,244</u>
Total current liabilities		<u>4,614</u>

NET ASSETS

Investment in capital assets		342,647
Unrestricted net assets		<u>391,124</u>
Total net assets	\$	<u>733,771</u>

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

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For The Year Ended June 30, 2012

Operating revenues	
Emergency telephone service charge	\$ 45,677
State Emergency Communications Board - shared wireless charge	34,633
State Emergency Communications Board - operational funding	148,639
Other operating revenues	<u>3,693</u>
Total operating revenues	<u>232,642</u>
Operating expenses	
Salaries and wages	102,703
Employee benefits	8,207
Contracted services	58,675
Supplies and materials	33,029
Other charges	23,712
Depreciation	<u>81,932</u>
Total operating expenses	<u>308,258</u>
Operating loss	<u>(75,616)</u>
Non-operating income	
Interest income	1,751
State Emergency Communications Board - grants and reimbursements	18,000
Miscellaneous Income	<u>1,477</u>
Total non-operating income	<u>21,228</u>
Change in net assets	(54,388)
Net assets, July 1, 2011	<u>788,159</u>
Net assets, June 30, 2012	<u>\$ 733,771</u>

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

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2012

Cash flows from operating activities:	
Cash received from surcharges and other revenues	\$ 252,572
Cash paid to suppliers of goods and services	(170,423)
Cash paid for employees' services and benefits	<u>(110,528)</u>
Net cash used by operating activities	<u>(28,379)</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	<u>(8,417)</u>
Cash flows from investing activities	
Interest on investments	<u>2,000</u>
Net decrease in cash	(34,796)
Cash and cash equivalents-July 1, 2011	<u>411,498</u>
Cash and cash equivalents-June 30, 2012	<u>\$ 376,702</u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (75,616)
Miscellaneous Income	1,477
Received from state classified as nonoperating	18,153
<i>Adjustments to reconcile operating loss to net cash used</i>	
<i>by operating activities:</i>	
Depreciation	81,932
Decrease in accounts receivable	300
Decrease in prepaid expenses	(13,762)
Decrease in accounts payable	(41,245)
Increase in payroll taxes payable	<u>382</u>
Net cash used by operating activities	<u>\$ (28,379)</u>

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Crockett County Emergency Communications District (the "District") was formed under the provisions of the "Emergency Communications District Law" of the State of Tennessee on May 1, 1998. As such, it is considered to be a "municipality" or public corporation in perpetuity under its corporate name and shall be a body politic and corporate with power of perpetual succession, but without power to levy or collect taxes. All Tennessee emergency communications districts are required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* developed by the Office of the Comptroller of the Treasury, Division of County Audit, pursuant to Section 7-86-304, *Tennessee Code Annotated*.

The District provides a uniform emergency number to shorten the time required for a citizen to request and receive emergency aid.

In evaluating how to define the Crockett County Emergency Communications District for financial reporting purposes, management has considered whether the District is a primary government or a component unit of another primary government. The decision to be included as a component unit of another reporting entity is made by applying the criteria set forth in Governmental Accounting Standards Board Statement 14 on *The Financial Reporting Entity*. The District must obtain the approval of the Crockett County Commission before issuance of most debt instruments. The County has determined that this constitutes fiscal dependency by the District and has, therefore, included the District as a component unit of Crockett County. The District has a board of directors appointed by the Crockett County legislative body.

The District includes only the funds relevant to the operation of the Crockett County Emergency Communications District. Therefore, the financial statements of the District include only those funds controlled and administered by the District and the governing board of directors. Control is determined on the basis of budget adoption, taxing authority, funding, and appointing of the governing board.

The District is deemed to be a municipality under Tennessee state law and, as such, is exempt from federal income taxes.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Crockett County Emergency Communications District accounts for its financial position and results of operations in accordance with generally accepted accounting principles as defined in the Statements of Governmental Accounting Standards Board (GASB). Generally accepted accounting principles for proprietary fund types are those applicable to similar businesses in the private sector, and the measurement focus is on the determination of net income, financial position, and cash flows. Proprietary fund types are accounted for on the accrual basis, whereby income is recognized as it is earned and expenses are recognized as they are incurred, whether or not cash is received or paid out at that time. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 gives governments the option of applying all Financial Accounting

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

Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary funds, unless they conflict with or contradict GASB pronouncements. The Office of the Comptroller of the Treasury requires Tennessee emergency communications districts not to implement FASB statements and interpretations issued thereafter, unless they are adopted by GASB.

C. Assets, Liabilities, and Net Assets

Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of inception.

State statutes authorize the District to invest in certificates of deposit, obligation of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements, as approved by the state director of local finance, and the state's local government investment pool.

Accounts receivable

The District bills all telephone customers within its boundaries by a surcharge on the telephone bills. The telephone companies then remit the collections on a regular basis to the District. At June 30, 2012, these telephone companies are indebted to the District in the amount of \$4,192. There is no collateral or bonds securing these debts.

Capital assets

All capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. For the year under review, there was no interest costs capitalized.

Net assets

Equity is classified as net assets and displayed in the following components:

- Invested in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets.
- Unrestricted – All other net assets that do not meet the description of the above category.

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

June 30, 2012

OTE 2 – DETAILED NOTES ON ACCOUNTS

A. Deposits and investments

The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2012, \$376,702 of the District's bank balance was covered by federal depository insurance.

B. Capital Assets

Capital asset activity for the year was as follows:

Description	Balance 7/1/11	Additions	Disposals	Balance 6/30/12
Capital assets, not being depreciated				
Land	\$ 50,279	\$ -	\$ -	\$ 50,279
Capital assets, being depreciated				
Buildings	2,744	-	-	2,744
Furniture and fixtures	12,711	788	-	13,499
Office equipment	8,567	6,338	527	14,378
Communication equipment	594,844	1,291	11,043	585,092
Total capital assets being depreciated	<u>618,866</u>	<u>8,417</u>	<u>11,570</u>	<u>615,713</u>
Less accumulated depreciation				
Buildings	65	392	-	457
Furniture and fixtures	7,282	1,611	-	8,893
Office equipment	5,475	1,668	527	6,616
Communication equipment	240,161	78,261	11,043	307,379
Total accumulated depreciation	<u>252,983</u>	<u>81,932</u>	<u>11,570</u>	<u>323,345</u>
Net capital assets	<u>\$ 416,162</u>	<u>\$ (73,515)</u>	<u>\$ -</u>	<u>\$ 342,647</u>

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

Depreciation is recognized over the estimated useful lives of the property and equipment of 5 to 10 years using the straight-line method.

NOTE 3 – STEWARDSHIP, COMPLIANCE, and ACCOUNTABILITY

Budgetary Information

The District adopts a budget in accordance with the requirements of the Tennessee Emergency Communications Board and the Tennessee Code Annotated 7-86-120. This budget is adopted on an other comprehensive basis of accounting, which is not in accordance with generally accepted accounting principals. The budgetary basis of accounting includes expenditures for fixed assets and reduction of principal on long-term debt, but does not include depreciation. Expenditures are required to be within budgetary limits at the line item level of control.

The following budget overages were noted:

<u>Expense</u>	<u>Overage</u>
Director	\$ 53
Overtime	13
Payroll expenses	7
Audit services	4,550
Maintenance agreements	720
Cable	799
Other Supply	182
Fax	5
Miscellaneous	322
Other expense	462
	<u>\$ 7,113</u>

NOTE 4 – OTHER INFORMATION

Funding sources

Funding for the District's operations is provided by monthly fees from service users in the County and by monthly fees from wireless cellular phone subscribers. AT&T and alternate local exchange carriers collect service fees from the county users and remit the funds to the District. The Tennessee Emergency Communications Board collects monthly service fees from wireless cellular phone subscribers and remits a set percentage to the District.

Commitments

The District participates in a rental agreement to lease office space for a monthly fee of \$400 per month. The District agreed to submit an annual rental payment of \$4,800 on July 1 of each year.

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

Risk management

The District is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the District to purchase commercial insurance for the risks of general liability, vehicle liability employee dishonesty, worker's compensation and physical damage to its fixed assets. Settled claims have not exceeded this commercial coverage or in any coverage of the past three years.

OTHER SUPPLEMENTARY SECTION

The other supplementary information section of this report includes information not required to be included in the financial statements and is provided for the purpose of additional analysis.

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For The Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Operating revenues				
Emergency telephone service charge	\$ 49,000	\$ 46,000	\$ 45,988	\$ (12)
SECB - share wireless charge	38,000	35,000	34,633	(367)
SECB - operational funding	(125,000)	(100,500)	124,136	224,636
	<u>\$ (38,000)</u>	<u>\$ (19,500)</u>	<u>\$ 204,757</u>	<u>\$ 224,257</u>
Operating expenses				
Salaries and wages				
Director	\$ 48,700	\$ 50,000	\$ 50,053	\$ 53
Administrative personnel	32,500	35,350	35,337	(12)
Overtime	300	100	113	13
Part-time	100	100	-	(100)
GIS mapping	11,700	17,200	17,200	-
Employee benefits				
Payroll expenses	13,000	8,200	8,207	7
Contracted services				
Audit services	5,500	4,560	9,110	4,550
Fees to providers	-	6,000	6,000	-
Legal services	100	50	-	(50)
Maintenance agreements	12,350	21,226	21,946	720
Lease - office equipment	-	445	444	(1)
Rent	430	4,800	4,800	-
Pest control	-	180	180	-
Maintenance and repairs:				
Communications equipment	100	6,250	6,238	(12)
Buildings	3,100	515	513	(2)
Office equipment	500	100	-	(100)
Vehicles	3,700	310	310	-
Fuel	-	1,650	1,631	(19)
Emergency telephone service	18,900	18,175	18,170	(5)
Supplies and materials				
Office supplies	4,600	6,700	6,687	(13)
Postage	180	290	286	(4)
Small equipment purchases	3,950	4,700	4,697	(3)
Uniforms	1,300	800	800	-
GIS supply	5,630	195	193	(2)
Telephone	990	1,115	1,114	(1)
Cell and pagers	2,830	2,110	2,109	(1)
Electric	1,000	2,300	2,292	(8)
Gas	1,150	925	921	(4)
Water & Sewer	120	350	350	-

See independent auditor's report.

**CRCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE**

For The Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Supplies and materials				
Cable	\$ -	\$ -	\$ 799	\$ 799
Other supply	7,500	2,800	2,982	182
Fax	1,050	1,100	1,105	5
Miscellaneous	400	6,895	7,217	322
Other charges				
Dues and memberships	300	640	638	(2)
Insurance-workman's comp	3,450	3,690	3,690	-
Insurance-liability	2,940	2,940	2,940	-
Insurance-equipment	1,130	1,508	1,508	-
Insurance-vehicle	1,000	962	962	-
Premiums on surety bonds	1,050	794	794	-
Public education	1,850	1,975	1,966	(9)
Service awards	700	155	154	(1)
Training expenses	2,800	4,175	4,174	(1)
Travel expenses	3,700	2,980	2,978	(2)
Internet	2,150	3,490	3,483	(8)
Miscellaneous	1,120	800	-	(800)
Other expense	-	-	462	462
Depreciation	<u>41,000</u>	<u>23,500</u>	<u>-</u>	<u>(23,500)</u>
Total operating expenses	<u>\$ 244,870</u>	<u>\$ 253,100</u>	<u>\$ 235,556</u>	<u>\$ (17,545)</u>
Operating income (loss)	<u>\$ (282,870)</u>	<u>\$ (272,600)</u>	<u>\$ (30,798)</u>	<u>\$ 241,802</u>
Non-operating income				
Interest income	3,200	2,000	2,000	-
Miscellaneous income	-	-	1,477	1,477
Loss on disposal of property	<u>(500)</u>	<u>(500)</u>	<u>-</u>	<u>500</u>
Total non-operating income	<u>2,700</u>	<u>1,500</u>	<u>3,478</u>	<u>1,978</u>
Net income (loss)	<u>\$ (280,170)</u>	<u>\$ (271,100)</u>	<u>\$ (27,320)</u>	<u>\$ 243,780</u>

See independent auditor's report.

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For The Year Ended June 30, 2012

Reconciliation To GAAP	
Net income-budgetary basis	\$ (27,320)
Adjustments for:	
Fixed assets capitalized	11,735
Revenues to accrual basis	(2,506)
Expenses to accrual basis	(703)
Depreciation expense	<u>(81,932)</u>
Change in Net Assets-GAAP basis	<u>\$ (100,726)</u>

See independent auditor's report.

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENSES**

For The Year Ended June 30, 2012

Salaries and wages		
Director	\$	50,053
Administrative personnel		35,337
Overtime		113
Part-time		-
GIS mapping		17,200
	\$	<u>102,703</u>
 Employee benefits		
Payroll expenses	\$	<u>8,207</u>
 Contracted services		
Audit services	\$	4,310
Fees to providers		6,000
Legal services		-
Maintenance agreements		21,946
Lease - office equipment		444
Rent		4,800
Pest control		180
Maintenance and repairs:		
Communications equipment		300
Buildings		513
Office equipment		-
Vehicles		310
Fuel		1,702
Emergency telephone service		18,170
	\$	<u>58,675</u>
 Supplies and materials		
Office supplies	\$	7,511
Postage		286
Small equipment purchases		5,463
Uniforms		800
GIS supply		193
Telephone		1,114
Cell and pagers		2,078
Electric		2,292
Gas		912
Water & Sewer		350
Cable		728
Other supply		2,821
Fax		1,105
Miscellaneous		7,376
	\$	<u>33,029</u>

See independent auditor's report.

CRCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENSES
For The Year Ended June 30, 2012

Other charges		
Dues and memberships	\$	638
Insurance-workman's comp		3,690
Insurance-liability		2,940
Insurance-equipment		1,508
Insurance-vehicle		962
Premiums on surety bonds		929
Public education		1,716
Service awards		154
Training expenses		4,174
Travel expenses		2,978
Internet		3,561
Other expense		462
	<u>\$</u>	<u>23,712</u>

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



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

Board of Directors
Crockett County Emergency Communications District
Alamo, Tennessee

We have audited the financial statements of Crockett County Emergency Communications District (a component unit of Crockett County, Tennessee) (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated January 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.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Board of Directors
Crockett County Emergency Communications District
Alamo, Tennessee

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of comments and recommendations as item 98-1, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and that is described in the schedule of comments and recommendations as item 01-3.

The District's responses to findings identified in our audit are described in the accompanying schedule of comments and recommendations. We did not audit the District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District's Board of Directors, management and the Comptroller of the Treasury, State of Tennessee. It is not intended to be and should not be used by anyone other than these specified parties.

Alexander Thompson Arnold PLLC

Certified Public Accountants
Dyersburg, Tennessee
January 7, 2013

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF COMMENTS AND RECOMMENDATIONS
June 30, 2012

Significant Deficiencies

98-1 Segregation of Duties

Condition: Due to the size of the staff, the Crockett County Emergency Communications District could not fully segregate the record-keeping, custodial and authorization functions of its internal accounting controls for the year ended June 30, 2012.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: While auditors recognize that staff size, due to funding limitations, is not adequate to fully segregate the functions mentioned above, management needs to be aware that this limitation of internal accounting controls does exist in the District.

Response: Due to the small staff of Crockett County Emergency Communications District, the Board requires two signatures on checking accounts except while on travel. Purchases are reviewed at each Board of Directors meeting. Any unusual purchase is approved by the Board or a Director before consummated.

Compliance and Other Matters

01-3 Budget Amendments

Condition: During the year ended June 30, 2012, ten line items of expenditures exceeded their budgeted amounts. They were: rent, pest control, building maintenance and repair, fuel, office supplies, postage, supplies and materials, and miscellaneous expense.

Criteria: The Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts requires that expenses be presented at the legal level of control, which is defined to be at the line-item level. TCA Section 7-86-120 requires emergency communications districts to adopt and operate under an annual budget.

Effect: The District has made expenses not legally approved in accordance with state statute.

Recommendation: We recommend the District carefully monitor its budget each month and make amendments as appropriate in order to include all expenditures. All final budget amendments for a current fiscal year must be approved prior to June 30.

Response: We will review expenses over the budget each month and work to amend budget as needed in future periods.

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF COMMENTS AND RECOMMENDATIONS
June 30, 2012

Prior Year Findings

- 98-1** Segregation of Duties—Repeated.
- 01-3** Budget Exceeded—Repeated.
- 11-1** Purchasing procedures-Corrected.