

Financial Statements

GREENEVILLE-GREENE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Year Ended June 30, 2012

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Greeneville-Greene County Emergency Communications District
Greeneville, Tennessee

We have audited the accompanying statement of net assets of Greeneville-Greene County Emergency Communications District, a component unit of Greeneville-Greene 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 Greeneville-Greene County Emergency Communications District as of June 30, 2012 and the changes in its financial positions 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 through 5 and the schedule of funding progress-political subdivision pension plan on page 19 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 Greeneville-Greene 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 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 November 28, 2012 on our consideration of Greeneville-Greene 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 audit.

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

November 28, 2012

Management's Discussion and Analysis

As management of the Greeneville-Greene 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. Please note, the District presents prior comparative financial information when available.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$886,900 (net assets). Of this amount, \$609,287 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the District reported ending net assets of \$886,900, an increase of \$65,336 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: (1) fund financial statements, and (2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District maintains one fund, a proprietary fund, which is considered to be an enterprise fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 12 through 18 of this report.

Financial Analysis of the District's Funds

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Greeneville-Greene County Emergency Communications District Statement of Net Assets

	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 658,004	\$ 510,448
Capital Assets	<u>277,614</u>	<u>341,858</u>
Total Assets	<u>\$ 935,618</u>	<u>\$ 852,305</u>

Total Liabilities	\$ 48,718	\$ 30,741
Net Assets:		
Invested in capital assets	277,614	341,858
Unrestricted	<u>609,287</u>	<u>479,707</u>
Total Liabilities and Net Assets	<u>\$ 935,618</u>	<u>\$ 852,305</u>

The balance of unrestricted net assets, \$609,287, may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District is able to report a positive balance in the net assets category.

The District's net assets increased by \$65,336 during the current fiscal year and decreased by \$81,720 during the prior year.

The statement of revenues, expenses, and changes in net assets presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The following is a summary of financial activities for the District during the fiscal year ended June 30, 2012 and 2011:

**Greenville-Greene County Emergency Communications District
Statement of Revenues, Expenses, and Change in Net Assets**

	<u>2012</u>	<u>2011</u>
Revenues:		
Operating Revenues:		
Charges for services	\$ 470,926	\$ 390,526
Operational funding	188,875	188,855
Non-Operating Revenues:		
Government appropriations	160,000	126,239
Other	60,894	30,462
Interest income	2,698	4,384
Loss on disposal of equipment	<u>(15,592)</u>	<u>0</u>
Total Revenues	867,802	740,466
Total Expenses	<u>802,466</u>	<u>822,186</u>
Change in net assets	65,336	(81,720)
Beginning Net Assets	<u>821,565</u>	<u>903,284</u>
Ending Net Assets	<u>\$ 886,900</u>	<u>\$ 821,565</u>

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Budgetary Highlights

There were several changes to the original budget regarding expense accounts. The board approved changes to distribute budgeted expenses from accounts which had less expenses than expected to accounts which had more expenses than originally expected.

Capital Asset Administration

The District’s investment in capital assets for its activities as of June 30, 2012, amounts to \$277,614 (net of accumulated depreciation). This investment in capital assets includes improvements, machinery and equipment, and software.

There were no major capital asset events during the current fiscal year.

Greenville-Greene County Emergency Communications District’s Capital Assets
(Net of Depreciation)

	<u>2012</u>	<u>2011</u>
Furniture and fixtures	\$ 2,760	\$ 4,116
Automotive equipment	3,000	3,000
Office Equipment	383	1,148
Leasehold Improvements	18,591	19,990
Mapping	42,120	46,857
Communications system	<u>210,761</u>	<u>266,746</u>
Total capital assets	<u>\$ 277,614</u>	<u>\$ 341,858</u>

Additional information on the District’s capital assets can be found in Note D on page 15 of this report.

Economic Factors and This Year’s Budget and Rates

Appropriations from Greene County and the Town of Greeneville increased during fiscal year 2012. Appropriations increased to \$120,000 for Greene County and to \$40,000 for the Town of Greeneville. These factors were considered in preparing the District’s budget for fiscal year 2012.

Rates were also increased for the year ended June 30, 2012. The residential surcharge increased to \$1.50 and the business surcharge increased to \$3.00.

Requests for Information

This financial report is designed to provide a general overview of the Greenville-Greene County Emergency Communications District’s finances for all those with an interest in the District’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Greenville-Greene County Emergency Communications District, 111 Union Street, Greeneville, TN 37743.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS

CURRENT ASSETS

Cash		\$ 579,721
Accounts receivable		34,258
Due from TECB		26,512
Prepaid expenses		<u>17,513</u>

TOTAL CURRENT ASSETS 658,004

CAPITAL ASSETS

Furniture and fixtures	\$ 9,539	
Computer equipment	16,315	
Communications equipment	491,201	
Vehicles	41,950	
Mapping	47,377	
Leasehold improvements	<u>25,070</u>	
	631,453	
Accumulated depreciation and amortization	<u>(353,839)</u>	<u>277,614</u>

TOTAL ASSETS \$ 935,618

See the accompanying notes to the financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable		\$ 23,602
Wages payable		9,221
Accumulated compensated absences		<u>15,895</u>

TOTAL CURRENT LIABILITIES 48,718

NET ASSETS

Invested in capital assets	\$ 277,614	
Unrestricted	<u>609,287</u>	<u>886,900</u>

TOTAL LIABILITIES AND NET ASSETS \$ 935,618

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

Year Ended June 30, 2012

OPERATING REVENUE

Emergency telephone service charges		\$ 310,449
TECB-shared wireless charge		160,216
TECB-operational funding program		188,875
Other operating revenue		<u>261</u>

TOTAL OPERATING REVENUE 659,801

OPERATING EXPENSES

Salaries and wages:			
Director	\$	48,998	
Administrative personnel		40,436	
Dispatchers		231,513	
Part-time personnel		35,216	
Training		40,991	
Overtime		<u>16,512</u>	413,667

Employee benefits:			
Payroll taxes		30,167	
Medical insurance		104,962	
Life insurance		410	
Retirement		<u>35,985</u>	171,523

Contracted services:			
Auditing services		5,775	
Fees paid to service providers		3,607	
Maintenance agreements		39,231	
Lease/Rental-communications equipment		77,252	
Maintenance and repairs-communications equipment		1,559	
Maintenance and repairs-buildings and facilities		86	
Maintenance and repairs-vehicles		653	
Fuel-vehicles		<u>1,501</u>	129,665

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

(continued)

Year Ended June 30, 2012

Supplies and materials:		
Office supplies	869	
Custodial supplies	861	
Data processing supplies	2,139	
Postage	241	
Uniforms	105	
Utilities-electric	11,025	
Utilities-water and sewer	525	
Utilities-general telephone	5,606	
Utilities-cell phone	<u>585</u>	21,957
Other charges:		
Dues and memberships	1,385	
Training	952	
Insurance-liability	10,812	
Premiums on surety bonds	1,172	
Travel	1,031	
Internet service	659	
Miscellaneous	<u>991</u>	17,003
Depreciation		<u>48,652</u>
TOTAL OPERATING EXPENSES		<u>802,466</u>
(LOSS) FROM OPERATIONS		(142,664)

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

(continued)

Year Ended June 30, 2012

NONOPERATING REVENUE(EXPENSE)

Contributions from primary government	120,000	
Contributions from other government	40,000	
TECB-grants	53,187	
Reimbursements	7,707	
Interest income	2,698	
Loss on disposal of equipment	<u>(15,592)</u>	<u>208,001</u>

CHANGE IN NET ASSETS 65,336

NET ASSETS AT THE BEGINNING OF THE YEAR 821,565

NET ASSETS AT THE END OF THE YEAR \$ 886,900

See the accompanying notes to the financial statements.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

CASH PROVIDED(USED) BY OPERATING ACTIVITIES

Cash received from telephone charges	\$ 645,136
Cash paid to suppliers	(321,162)
Cash paid to employees	<u>(409,699)</u>

NET CASH (USED) BY OPERATING ACTIVITIES (85,725)

CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES

Contributions from primary government	\$ 120,000
Contributions from other government	40,000
TECB-grants	53,187
Reimbursements	<u>7,707</u>

NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES 220,894

CASH PROVIDED(USED) BY INVESTING ACTIVITIES

Interest received	<u>2,698</u>
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NET INCREASE IN CASH 137,868

CASH AT THE BEGINNING OF THE YEAR 441,853

CASH AT THE END OF THE YEAR \$ 579,721

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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		\$ (142,664)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:		
Depreciation	\$ 48,652	
(Increase)decrease in:		
Accounts receivable	(15,437)	
Due from TECB	772	
Prepaid expenses	4,977	
Increase(decrease) in:		
Accounts payable	14,008	
Wages payable	6,621	
Accumulated compensated absences	<u>(2,653)</u>	<u>56,940</u>
NET CASH (USED) BY OPERATING ACTIVITIES		<u><u>\$ (85,725)</u></u>

See the accompanying notes to the financial statements.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

NOTE A - DESCRIPTION OF ORGANIZATION

Greenville-Greene County Emergency Communications District (the District) was established on November 8, 1988, pursuant to the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The District is responsible for furnishing local emergency telephone service and a primary emergency telephone number for the residents of Greene County, Tennessee. The District is governed by a nine-member Board of Directors appointed by the county commissioners of Greene County, Tennessee. The Board of Directors has the authority to levy an emergency telephone service charge to be used to fund the operations of the District. The District began collecting telephone user fees in May 1989, and began operations during the year ended June 30, 1990.

The District is considered a component unit of Greene County, Tennessee because the Greene County mayor appoints, and the Greene County commissioners affirm, the District's Board of Directors and must approve most 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 the 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 changes 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:

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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	\$ 631,453
Accumulated depreciation	<u>(353,839)</u>
	<u>\$ 277,614</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 and defined by the District as assets with an initial, individual cost of \$250 or more (effective December 22, 2011). 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.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

Compensated Absences

District employees are granted vacation and sick leave in varying amounts and may accumulate sick leave indefinitely, which may then be used for early retirement. The District's policies do not provide for an employee to be paid for any unused sick leave in the event of termination. Vacation leave may be accumulated up to 160 hours. Any hours over 160 will be transferred to the employee's sick leave account. Employees may receive payment for unused vacation leave, up to the 160 hour maximum, upon termination or resignation. Accumulated vacation leave is recorded as an expense and liability as the benefits accrue to the employees. No liability is recorded for accumulated sick 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 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% 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 or collateralized with securities held by the District's agent in the District's name.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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 being depreciated</u>				
Furniture and fixtures	\$ 9,539	\$ 0	\$ 0	\$ 9,539
Office equipment	19,679	0	(3,364)	16,315
Communications equipment	525,850	0	(34,649)	491,201
Vehicles	41,950	0	0	41,950
Mapping	47,377	0	0	47,377
Leasehold improvements	<u>25,070</u>	<u>0</u>	<u>0</u>	<u>25,070</u>
	669,466	0	(38,013)	631,453
<u>Accumulated depreciation</u>				
Furniture and fixtures	(5,423)	(1,357)	0	(6,779)
Office equipment	(18,532)	(765)	3,364	(15,933)
Communications equipment	(259,104)	(40,393)	19,057	(280,440)
Vehicles	(38,950)	(0)	0	(38,950)
Mapping	(520)	(4,738)	0	(5,257)
Leasehold improvements	<u>(5,080)</u>	<u>(1,399)</u>	<u>0</u>	<u>(6,480)</u>
	<u>(327,608)</u>	<u>(48,652)</u>	<u>22,421</u>	<u>(353,839)</u>
	<u>\$ 341,858</u>	<u>\$ (48,652)</u>	<u>\$ (15,592)</u>	<u>\$ 277,614</u>

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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 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 disability that is the result of an accident or injury occurring while the member was in the performance of duty. 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 their 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 ending June 30, 2012 was 9.90% 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.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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 \$34,867 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 20 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	\$ 34,867	100.00%	\$ 0
6/30/11	33,709	100.00%	0
6/30/10	37,588	100.00%	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 76.32 % funded. The actuarial accrued liability (AAL) for benefits was \$0.94 million, and the actuarial value of assets was \$0.71 million, resulting in a UAAL of \$0.22 million. The covered payroll (annual payroll of active employees covered by the plan) \$0.40 million, and the ratio of the UAAL to the covered payroll was 55.82 %.

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 AALs for benefits.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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	\$ 714,000	\$ 527,000	\$ 437,000
Actuarial accrued liability (AAL)	936,000	759,000	488,000
Unfunded AAL (UAAL)	222,000	233,000	51,000
Funded ratio	76.32%	69.34%	89.55%
Covered payroll	397,000	329,000	287,000
UAAL as a percentage of covered payroll	55.82%	70.78%	17.77%

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 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November, 28, 2012, which is the date the financial statements were available to be issued.

On August 31, 2012 the District entered into two contracts totaling \$211,853 for the installation of new equipment.

REQUIRED SUPPLEMENTARY INFORMATION

GREENEVILLE-GREENE 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	\$ 714,000	\$ 527,000	\$ 437,000
Actuarial accrued liability (AAL)	936,000	759,000	488,000
Unfunded AAL (UAAL)	222,000	233,000	51,000
Funded ratio	76.32%	69.34%	89.55%
Covered payroll	397,000	329,000	287,000
UAAL as a percentage of covered payroll	55.82%	70.78%	17.77%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the schedule of funding progress using the entry age actuarial cost method. The requirement to present the schedule of funding progress using the entry age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore only the three most recent valuations are presented.

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

GREENEVILLE-GREENE 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	\$ 310,449	\$ 212,200	\$ 98,249
TECB-shared wireless charge	160,216	160,000	216
TECB-operational funding program	188,875	179,379	9,496
Other operating revenue	<u>261</u>	<u>100</u>	<u>161</u>
TOTAL OPERATING REVENUE	659,801	551,679	108,122
OPERATING EXPENSES			
Salaries and wages:			
Director	48,998	50,482	(1,484)
Administrative personnel	40,436	58,465	(18,029)
Dispatchers	231,513	233,749	(2,236)
Part-time personnel	35,216	53,003	(17,787)
Training	40,991	43,239	(2,248)
Overtime	<u>16,512</u>	<u>8,500</u>	<u>8,012</u>
	413,667	447,438	(33,771)
Employee benefits:			
Payroll taxes	30,167	35,120	(4,953)
Medical insurance	104,962	108,000	(3,038)
Life insurance	410	435	(25)
Retirement	<u>35,985</u>	<u>42,000</u>	<u>(6,015)</u>
	171,523	185,555	(14,032)
Contracted services:			
Audit services	5,775	5,800	(25)
Legal services	0	500	(500)
Fees paid to service providers	3,607	6,500	(2,893)
Maintenance agreements	39,231	37,853	1,378
Lease/Rental-communications equipment	77,252	82,582	(5,330)
Maintenance and repairs- communications equipment	1,559	5,500	(3,941)

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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>
Contracted services(continued):			
Maintenance and repairs- buildings and facilities	86	300	(214)
Maintenance and repairs- office equipment	0	2,000	(2,000)
Maintenance and repairs-vehicles	653	1,600	(947)
Fuel-vehicles	1,501	2,400	(899)
	<u>129,665</u>	<u>145,035</u>	<u>(15,370)</u>
Supplies and materials:			
Office supplies	869	2,800	(1,931)
Custodial supplies	861	1,000	(139)
Data processing supplies	2,139	2,500	(361)
Postage	241	300	(59)
Small equipment purchases	0	1,000	(1,000)
Uniforms	105	1,500	(1,395)
Utilities-electric	11,025	14,000	(2,975)
Utilities-water and sewer	525	600	(75)
Utilities-general telephone	5,606	8,000	(2,394)
Utilities-cell phone	585	2,030	(1,445)
	<u>21,957</u>	<u>33,730</u>	<u>(11,773)</u>
Other charges:			
Dues and memberships	1,385	1,385	0
Training	952	12,000	(11,048)
Insurance-liability	10,812	12,107	(1,295)
Premiums on surety bonds	1,172	1,172	0
Public education	0	1,186	(1,186)
Travel	1,031	3,000	(1,969)
Bank charges	0	100	(100)
Internet service	659	720	(61)
Miscellaneous	991	1,200	(209)
	<u>17,003</u>	<u>32,870</u>	<u>(15,867)</u>

GREENEVILLE-GREENE 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	48,652	53,000	(4,348)
TOTAL OPERATING EXPENSES	<u>802,466</u>	<u>897,628</u>	<u>(95,162)</u>
(LOSS) FROM OPERATIONS	(142,664)	(345,949)	203,285
NONOPERATING REVENUE			
Contributions from primary government	120,000	120,000	0
Contributions from other government	40,000	40,000	0
TECB-grants	53,187	57,621	(4,434)
Reimbursements	7,707	8,630	(923)
Interest income	2,698	3,500	(802)
Loss on disposal of equipment	(15,592)	0	(15,592)
	<u>208,001</u>	<u>229,751</u>	<u>(21,750)</u>
CHANGE IN NET ASSETS	65,336	(116,198)	181,534
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>821,565</u>	<u>821,565</u>	<u>0</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 886,900</u>	<u>\$ 705,366</u>	<u>\$ 181,534</u>

See the accompanying independent accountants' audit report.

GREENEVILLE-GREENE 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	Dispatcher Training	Tennessee Department of Commerce and Insurance
N/A	Mapping and Addressing	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	\$ 12,000	\$ 12,000	\$ 0
<u>0</u>	<u>41,187</u>	<u>41,187</u>	<u>0</u>
<u>\$ 0</u>	<u>\$ 53,187</u>	<u>\$ 53,187</u>	<u>\$ 0</u>

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BOARD OF DIRECTORS

June 30, 2012

William Holt
LeRoy Tipton Jr.
Ray Adams
Bill Brown
Robert Sayne
Mark Foulks
Steve Burns
Margaret Greenway
Ryan Holt

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
Greeneville-Greene County
Emergency Communications District
Greeneville, Tennessee

We have audited the financial statements of Greeneville-Greene County Emergency Communications District, a component unit of Greene County, Tennessee, as of and for the year ended June 30, 2012 and have issued our report thereon dated November 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

Management of Greeneville-Greene County Emergency Communications District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Greeneville-Greene 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 Greeneville-Greene County Emergency Communication District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Greeneville-Greene County Emergency Communication 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 Greeneville-Greene County Emergency Communications District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 Greenville-Greene 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 other matters that we have reported to the management of Greenville-Greene County Emergency Communications District in a separate letter dated November 28, 2012.

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.

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

November 28, 2012