RHEA COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

Financial Statements

June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Rhea County "911" Emergency Communications District

We have audited the accompanying financial statements of the Rhea County "911" Emergency Communications District, a component unit of Rhea County, as of June 30, 2012 and June 30, 2011 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Rhea County "911" Emergency Communications District Board. Our responsibility is to express an opinion on these financial Statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rhea County "911" Emergency Communications District, as of June 30, 2012 and June 30, 2011, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2011 on our consideration of Rhea County "911" Emergency Communications District internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. 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 their internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 & 5 and the Schedule of Funding Progress on page 16 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 Rhea County "911" Emergency Communications District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Income and Expenses Compared to Budget is the responsibility of the management and are 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 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.

Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall

ARNETT, KIRKSEY, KIMSEY, SULLIVAN, LAY & HALL, PLLC
Certified Public Accountants

October 30, 2012

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Roster of Management Officials and Board Members

For the Years Ended June 30, 2012 and 2011

Management Officials:

Shane Clark	Director
Darlene Monroe	Assistant Director

Board Members:

Earl "Bo" Kaylor	Chairman
Ted Jones	Vice Chairman
Bob Piolatto	Treasurer
Billy Cranfield	Secretary
Tracy Taylor	Board Member
Sarah McDaniel	Board Member
Billy Thedford, Jr.	Board Member
Sheriff Mike Neal	Board Member
Tommy Solomon	Board Member

The Board of Rhea County "911" Emergency Communications District

Management's Discussion and Analysis

June 30, 2012

The Board of Rhea County "911" Emergency Communications District (the "Board") has implemented Governmental Auditing Standards Board ("GASB") Statement No. 34, Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments, for the years ending June 30, 2012 and 2011.

Financial Statement Overview

The Balance Sheets include the assets and liabilities of the Rhea County "911" Emergency Communications District that represent available resources and required obligations, with the difference reported as net position. The change in net position is a potential indicator of the improving or deteriorating financial position of Rhea County "911". The change in net position is a function of the revenues and expenses, which are recorded in the Statements of Revenues, Expenses, and Changes in Net Position. Revenues are recorded as they are earned and expenses are recorded when incurred (regardless of cash requirements). Cash activity for the period is presented in the Statements of Cash Flows and the activity is segmented between operating, investing, and financing activities. In addition, the Notes to the Financial Statements offer additional information to provide a full understanding of the financial activity and position of Rhea County "911" Emergency Communications District.

Financial Analysis

	2012	2011	2010
Current assets	$ 1,131,492	$ 973,288	$ 864,378
Capital assets	346,824	382,117	577,414
Intagible Assets	57,598	77,450	0
Total assets	$ 1,535,914	$ 1,432,855	$ 1,441,792
Current/total liabilities	$ 8,958	$ 33,923	$ 66,186
Invested in capital assets	$ 404,422	$ 459,567	$ 577,414
Unrestricted	1,122,534	939,365	798,192
Total fund equity	$ 1,526,956	$ 1,398,932	$ 1,375,606
Operating revenues	$ 441,863	$ 434,570	$ 421,446
Operating expenses	380,571	439,105	375,566
Net operating income	$ 61,292	$ (4,535)	$ 45,880
Interest income	$ 1,775	$ 1,861	$ 2,175

Assets:
In the previous year, assets added by Rhea County "911" Emergency Communications during the year included dispatch furniture and a mapping image library totaling $37,515.
In the current year, assets added by Rhea County "911" Emergency Communications during the year included a vehicle, a lightning abatement system, floor covering upgrade, and upgrades to computer equipment totaling $43,506.

Revenues:
In the previous year, Operating Revenues increased 3% from 2010 to 2011. This small increase is a result of having the same sources of revenue and an increase in operational funding.
In the current year, operating Revenues increased 1.68% from 2011 to 2012. This small increase is a result of having the same sources of revenue and an increase in operational funding.

Net Assets:
In the previous year, Rhea County "911" Emergency Communications completed the year with net assets of $1,398,932, an increase of $23,326 over the previous year.
In the current year, Rhea County "911" Emergency Communications completed the year with net assets of $1,526,956, a increase of $128,024 over the previous year.

Financial Activity & Plans for Future Needs
Rhea County "911" Emergency Communications will continue to meet with local departments regarding the sharing of mapped imagery in an effort to share the cost of that imagery with the local departments. During the current year, agreements were made with some local departments to begin imagery sharing.

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
Balance Sheets
June 30, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,030,760	$ 854,449
Investments	84,804	84,641
Accounts receivable	12,623	32,269
Prepaid expenses	3,305	1,929
Total Current Assets	$ 1,131,492	$ 973,288
CAPITAL ASSETS		
Building and improvements	$ 367,463	$ 352,784
Furniture and fixtures	90,864	91,905
Office equipment	5,089	5,108
Communications equipment	406,544	497,448
Vehicles	65,759	45,910
Less accumulated depreciation	(588,895)	(611,038)
Net Fixed Assets	$ 346,824	$ 382,117
INTANGIBLE ASSETS		
Database development	$ 100,872	$ 173,058
Less accumulated amortization	(43,274)	(95,608)
Net Intangible Assets	$ 57,598	$ 77,450
TOTAL ASSETS	$ 1,535,914	$ 1,432,855
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 1,573	$ 26,468
Compensated absences payable	7,385	7,455
Total Liabilities	$ 8,958	$ 33,923
NET ASSETS		
Invested in capital assets	$ 404,422	$ 459,567
Unrestricted	1,122,534	939,365
Total fund equity	$ 1,526,956	$ 1,398,932
TOTAL LIABILITIES AND NET ASSETS	$ 1,535,914	$ 1,432,855

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

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Statements of Income, Expenses and Changes in Fund Equity
For the Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES		
Emergency telephone service charge	$ 204,644	$ 217,676
TN Emergency Communications Board - shared wireless charge	74,105	74,125
TN Emergency Communications Board - operational funding	163,114	142,769
Total Revenues	$ 441,863	$ 434,570
OPERATING EXPENSES		
Director salary	$ 51,935	$ 52,539
Assistant director	34,482	34,791
Social Security	5,312	5,115
Medicare	1,242	1,196
Life insurance	96	95
Medical insurance	14,670	14,212
Retirement contributions	7,143	7,143
Address/Mapping expenses	0	1,005
Audit services	3,500	3,500
Accounting services	800	800
Impact payment	29,520	0
Legal services	7,600	7,000
Maintenance agreements	32,081	56,293
Mapping/data base consulting	14,040	13,165
NCIC/TBI/TIES expenses	1,680	5,680
Consulting EMD	1,000	1,000
Lease/rental - office equipment	1,898	2,015
Maintenance and repair - communications equipment	1,619	2,255
Maintenance and repair - buildings and facilities	2,162	824
Maintenance and repair - office equipment	523	594
Maintenance and repair - vehicles	75	1,003
Fuel - vehicles	3,486	2,891
Office supplies	499	566
Postage	131	108
Small equipment purchases	1,846	2,960
Uniforms and shirts	2,253	3,072
Utilities - electric	9,282	9,153
Utilities - natural gas	266	466
Utilities - water/sewer	372	370
Utilities - general telephone	26,797	29,162
Utilities - cell phones and pagers	1,080	997
Bank charges	0	60
Board meeting expenses	1,032	758
Dues and memberships	270	241
Insurance - buildings and contents	4,810	4,150
Insurance - vehicles	943	929
Legal notices	182	376

(Continued)

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

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Statement of Income, Expenses and Changes in Fund Equity (Continued)

For the Years Ended June 30, 2012 and 2011

OPERATING EXPENSES - (Continued)	2012	2011
Licenses & fees	$ 1,574	$ 81
Premiums on surety bonds	400	400
Training expenses	11,437	14,065
Internet charges	3,179	2,134
Weather communication	703	578
Depreciation expense	78,800	142,002
Amortization expense	19,851	13,361
Total Operating Expenses	$ 380,571	$ 439,105
Operating Income (Loss)	$ 61,292	$ (4,535)
OTHER INCOME		
Interest income	$ 1,775	$ 1,861
TN Emergency Communications Board - reimbursements	64,957	26,000
Total Other Income	$ 66,732	$ 27,861
NET INCOME	$ 128,024	$ 23,326
BEGINNING FUND EQUITY	1,398,932	1,375,606
ENDING FUND EQUITY	$ 1,526,956	$ 1,398,932

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

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Statements of Cash Flow

For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Receipts from line fees	$ 461,509	$ 418,120
Payments to suppliers for goods and services	(193,310)	(201,317)
Payments to employees for services	(114,950)	(111,067)
Net cash provided by operating activities	$ 153,249	$ 105,736
Cash flows from noncapital financing activities:		
State reimbursements	$ 64,957	$ 26,000
Net cash provided by noncapital financing activities	$ 64,957	$ 26,000
Cash flows from capital and related financing activities:		
Purchase of assets	$ (43,506)	$ (37,516)
Net cash used in capital and related financing activities	$ (43,506)	$ (37,516)
Cash flows from investing activities:		
Interest received	$ 1,775	$ 1,861
Increase of investments	(164)	(254)
Net cash provided by investing activities	$ 1,611	$ 1,607
Net increase in cash and cash equivalents	$ 176,311	$ 95,827
Cash and cash equivalents, beginning of year	854,449	758,622
Cash and cash equivalents, end of year	$ 1,030,760	$ 854,449
Reconciliation of operating revenues to net cash provided by operating activities:		
Operating income (loss)	$ 61,292	$ (4,535)
Adjustments to reconcile new operating revenues to net cash provided by operating activities:		
Depreciation and amortization	98,651	155,363
Changes on operating assets and liabilities:		
Accounts payable	(24,894)	(36,287)
Accounts receivable	19,646	(16,451)
Prepaid expenses	(1,376)	3,621
Compensated absences payable	(70)	4,025
Net cash provided by operating activities	$ 153,249	$ 105,736

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Rhea County "911" Emergency Communications District was established on September 13, 1990, for the purpose of providing an enhanced level of "911" service for Rhea County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. The District is a component unit of Rhea County which provides employees and operation facilities in exchange for impact payments and appoints all board members. The County has financial responsibility through the approval of the District's budget and the ability to modify fee rates.

Basis of Accounting

Rhea County "911" Emergency Communications District follows the provisions of Statement No. 34 (Statement 34) of the Government Accounting Standards Board Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a balance sheet, a statement of income, expenses and changes in fund equity, and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Net Assets

Net assets are displayed in three components:

a. Invested in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions enabling legislation.

c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or invested in capital assets.

Fixed Assets

Expenditures for fixed assets are recorded at historical cost. Depreciation is being computed for furniture and equipment using the 200% double declining balance method. Building and fencing are depreciated using the straight-line method. The depreciation periods are as follows:

Vehicles	5 years
Furniture and equipment	5-7 years
Building	10-40 years
Fence	15 years

Intangible Assets

Amortization of the cost of intangible assets commenced on completion of each project and when they were integrated into the operational Enhanced "911" equipment. The amortization period for the intangible asset cost is over the term of years as follows:

Description	Cost	Period
Mapping/Imagery Software	$ 66,136	3 years

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Con't.)

Investments
Investments are stated at cost which approximates market. State statutes authorize the district to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and pooled investment funds.

Note 2 - CASH AND CASH EQUIVALENTS
Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three months or less, primarily with local financial institutions. At year end, all deposits were covered by federal depository insurance.

Note 3 - DEPOSITS AND INVESTMENTS
The District's investments include:

	Carrying Amount	Market Value
Community National Bank Growth Fund	$ 23,099	$ 23,099
Local Government Investment Pool	61,705	61,705
Total Investments	$ 84,804	$ 84,804

At year end, all deposits of the Rhea County "911" Emergency Communications District were covered by federal depository insurance or by collateral held by the State of Tennessee Collateral Pool for Public Deposits.

Investments in the State of Tennessee Local Government Investment Pool are valued based upon the value of pool shares. The responsibility for conducting the State's investment program resides with the State Treasurer pursuant to Tennessee Code Annotated, Section 9-4-602 and shall be exercised in accordance with the investment policy and resolutions of the State Funding Board.

Interest rate risk - In accordance with its investment policy, the Rhea County "911" Emergency Communications District manages its exposure to declines in market values by limiting the amount invested in long-term investments and bidding the amount of interest earned on savings accounts with area banks.

Credit risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs).

Note 4 - CAPITAL AND INTANGIBLE ASSETS -

The following is a schedule of Changes to Capital and Intangible Assets for the year ending 6/30/2011:

Capital and intangible assets, being depreciated/amortized:	Beginning Balance	Additions	Retirements	Ending Balance
Buildings & improvements	$ 352,784	$ 0	$ 0	$ 352,784
Furniture and fixtures	89,125	2,780	0	91,905
Office equipment	5,108	0	0	5,108
Communications equipment	717,900	0	(220,452)	497,448
Vehicles	45,910	0	0	45,910
Database development	97,382	34,736	0	132,118
Installation cost	36,036	0	0	36,036
Site preparation	4,904	0	0	4,904
Total capital and intangible assets being depreciated/amortized	$ 1,349,149	$ 37,516	$ (220,452)	$ 1,166,213
Less accumulated depreciation/amortization for:				
Buildings & improvements	$ (63,452)	$ (11,560)	$ 0	$ (75,012)
Furniture and fixtures	(49,324)	(11,768)	0	(61,092)
Office equipment	(2,831)	(717)	0	(3,548)
Communications equipment	(533,029)	(115,260)	220,452	(427,837)
Vehicles	(40,852)	(2,697)	0	(43,549)
Database development	(41,307)	(13,361)	0	(54,668)
Installation cost	(36,036)	0	0	(36,036)
Site preparation	(4,904)	0	0	(4,904)
Total accumulated depreciation/ amortization	$ (771,735)	$ (155,363)	$ 220,452	$ (706,646)
Total capital and intangible assets being depreciated/amortized	$ 577,414	$ (117,847)	$ 0	$ 459,567

Note 4 - CAPITAL AND INTANGIBLE ASSETS - (Continued)

The following is a schedule of Changes to Capital and Intangible Assets for the year ending 6/30/2012:

Capital and intangible assets, being depreciated/amortized:	Beginning Balance	Additions	Retirements	Ending Balance
Buildings & improvements	$ 352,784	$ 17,428	$ (2,749)	$ 367,463
Furniture and fixtures	91,905	0	(1,041)	90,864
Office equipment	5,108	0	(19)	5,089
Communications equipment	497,448	6,229	(97,133)	406,544
Vehicles	45,910	19,849	0	65,759
Database development	132,118	0	(31,246)	100,872
Installation cost	36,036	0	(36,036)	0
Site preparation	4,904	0	(4,904)	0
Total capital and intangible assets being depreciated/amortized	$ 1,166,213	$ 43,506	$ (173,128)	$ 1,036,591
Less accumulated depreciation/amortization for:				
Buildings & improvements	$ (75,012)	$ (12,258)	$ 2,750	$ (84,520)
Furniture and fixtures	(61,092)	(8,804)	1,041	(68,855)
Office equipment	(3,548)	(485)	19	(4,014)
Communications equipment	(427,837)	(54,231)	97,133	(384,935)
Vehicles	(43,549)	(3,022)	0	(46,571)
Database development	(54,668)	(19,851)	31,245	(43,274)
Installation cost	(36,036)	0	36,036	0
Site preparation	(4,904)	0	4,904	0
Total accumulated depreciation/amortization	$ (706,646)	$ (98,651)	$ 173,128	$ (632,169)
Total capital and intangible assets being depreciated/amortized	$ 459,567	$ (55,145)	$ 0	$ 404,422

Note 5 - RETIREMENT PLAN

Plan Description

Employees of Rhea County "911" Emergency Communications 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 Rhea County "911" Emergency Communications 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

Rhea County "911" Emergency Communications District requires employees to contribute 5.0 percent of earnable compensation.

Rhea County "911" Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012, was 8.61% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Rhea County "911" Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2012, Rhea County "911" Emergency Communications District's annual pension cost of $7,143 to TCRS was equal to Rhea County "911" Emergency Communications 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 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent 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. Rhea County "911" Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 11 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Note 5 - RETIREMENT PLAN - (continued)

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	$7,143	100.00%	$0.00
June 30, 2011	$7,143	100.00%	$0.00
June 30, 2010	$6,718	100.00%	$0.00

FUNDED STATUS AND FUNDING PROGRESS
As of July 1, 2011, the most recent actuarial valuation date, the plan was 95.27% percent funded. The actuarial accrued liability for benefits was $39.01 million, and the actuarial value of assets was $37.17 million, resulting in an unfunded actuarial accrued liability (UAAL) of $1.84 million. The covered payroll (annual payroll of active employees covered by the plan) was $14.95 million, and the ratio of the UAAL to the covered payroll was 12.34%.

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

Rhea County General Fund, which includes Rhea County "911" Emergency Communications District)
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	$37,167	$39,011	$1,844	95.27%	$14,949	12.34%
July 1, 2009	$30,045	$32,160	$2,115	93.42%	$14,653	14.44%
July 1, 2007	$27,416	$29,765	$2,349	92.11%	$13,595	17.28%

Note 6 - COMMERCIAL INSURANCE
It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, employee health and accident, and environmental. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 7 - USE OF ESTIMATES
Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Note 8 - COMPENSATED ABSENCES

The director and assistant director of Emergency Communications District are entitled to paid vacation depending on length of service and other factors. In the event of termination, the director will be paid for accumulated vacation leave. Total earned but unused vacation pay at June 30, 2012 is $7,385.

Note 9 - RECLASSIFICATIONS

For comparability purposes, certain prior year accounts have been reclassified.

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS FOR THE TCRS PLAN

Schedule of Funding Progress for Rhea County General Fund 88470, which includes Rhea County "911" Emergency Communications District

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	$37,167	$39,011	$1,844	95.27%	$14,949	12.34%
July 1, 2009	$30,045	$32,160	$2,115	93.42%	$14,653	14.44%
July 1, 2007	$27,416	$29,765	$2,349	92.11%	$13,595	17.28%

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Income and Expenses Compared to Budget

For the Year Ended June 30, 2012

	Actual	Budget	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Emergency telephone service charge	$ 204,644	$ 218,300	$ (13,656)
TN Emergency Communications Board - shared wireless charge	74,105	73,750	355
TN Emergency Communications Board - operational funding	163,114	142,791	20,323
Total Revenues	$ 441,863	$ 434,841	$ 7,022
OPERATING EXPENSES			
Director salary	$ 51,935	$ 50,000	$ (1,935)
Assistant director	34,482	32,960	(1,522)
Social Security	5,312	5,144	(168)
Medicare	1,242	1,203	(39)
Life insurance	96	110	14
Medical insurance	14,670	15,164	494
Retirement contributions	7,143	7,234	91
Address/Mapping expenses	0	2,010	2,010
Audit services	3,500	4,000	500
Accounting services	800	800	0
Impact payment	29,520	29,520	0
Legal services	7,600	7,600	0
Maintenance agreements	32,081	31,000	(1,081)
Mapping/data base consulting	14,040	15,000	960
NCIC/TBI/TIES expenses	1,680	2,300	620
Consulting EMD	1,000	1,000	0
Lease/rental - office equipment	1,898	1,800	(98)
Maintenance and repair - communications equipment	1,619	2,500	881
Maintenance and repair - buildings and facilities	2,162	1,500	(662)
Maintenance and repair - office equipment	523	1,200	677
Maintenance and repair - vehicles	75	1,200	1,125
Fuel - vehicles	3,486	3,000	(486)
Office supplies	499	1,000	501
Postage	131	200	69
Small equipment purchases	1,846	3,500	1,654
Uniforms and shirts	2,253	3,000	747
Utilities - electric	9,282	10,000	718
Utilities - natural gas	266	650	384
Utilities - water/sewer	372	400	28
Utilities - general telephone	26,797	30,000	3,203
Utilities - cell phones and pagers	1,080	1,100	20
Bank charges	0	100	100
Board meeting expenses	1,032	1,500	468
Dues and memberships	270	350	80
Insurance - buildings and contents	4,810	5,000	190
Insurance - vehicles	943	1,000	57
Legal notices	182	300	118

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Income and Expenses Compared to Budget (Continued)

For the Year Ended June 30, 2012

	Actual	Budget	Variance Favorable (Unfavorable)
OPERATING EXPENSES - (Continued)			
Licenses & fees	$ 1,574	$ 100	$ (1,474)
Premiums on surety bonds	400	400	0
Training expenses	11,437	16,000	4,563
Internet charges	3,179	3,600	421
Weather communication	703	675	(28)
Depreciation expense	78,800	109,486	30,686
Amortization expense	19,851	29,520	9,669
Total Operating Expenses	$ 380,571	$ 434,126	$ 53,555
Operating Income	$ 61,292	$ 715	$ 60,577
OTHER INCOME			
Interest income	$ 1,775	$ 1,850	$ (75)
TN Emergency Communications Board - reimbursements	$ 64,957	$ 45,223	$ 19,734
Total Other Income	$ 66,732	$ 47,073	$ 19,659
NET INCOME	$ 128,024	$ 47,788	$ 80,236

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NATIONAL ASSOCIATION OF CERTIFIED VALUATION ANALYSTS

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
Rhea County "911" Emergency Communications District
Evensville, Tennessee

We have audited the financial statements of Rhea County "911" Emergency Communications District as of and for the year ended June 30, 2012, and have issued our report thereon dated October 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Rhea County "911" Emergency Communications District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Rhea County "911" Emergency Communications District's internal control over financial reporting as a basis for our designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rhea County "911" Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rhea County "911" Emergency Communications District's internal control over financial reporting.

In planning and performing our audit, we considered Rhea County "911" Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rhea County "911" Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rhea County "911" Emergency Communications District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 Rhea County "911" Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and

and questioned costs as item 2012-1.

The Rhea County "911" Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Rhea County "911" Emergency Communications District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and the use of the Board of Directors and management of Rhea County "911" Emergency Communications District and the Department of Audit of the State of Tennessee Division of Local Government Audit and is not intended to be and should not be used by anyone other than these specified parties.

Arnett, Kirksey, Kimsey, Sullivan, Lay & Hall

ARNETT, KIRKSEY, KIMSEY, SULLIVAN, LAY & HALL, PLLC
Certified Public Accountants

October 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Rhea County "911" Emergency Communications District.

2. One instance of noncompliance was identified during the audit of the financial statements.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

NONCOMPLIANCE 2012-1

CONDITION: Several account balances exceeded the adopted budget.

CRITERIA: Tennessee Code Annotated, Section 7-86-120 requires that all expenses be at or below budgetary amounts for the fiscal year.

EFFECT: Revenues & Expenses do not accurately reflect the intended business operations as per the adopted budget.

RECOMMENDATION: Management should either review the budget more frequently or monitor individual accounts more closely.

RESPONSE: Steps will be taken to ensure that all expense amounts are within the fiscal year adopted budget amounts. Management states that they will continue to review the budget at all Board meetings to help ensure the budget stays within actual revenues and expenses

C. SUMMARY OF PRIOR AUDIT FINDINGS

1. The budgetary financial statement reflected several amounts that exceeded the adopted budget, reported again this year as NONCOMPLIANCE 2012-1.