

*Financial Statements*

SEVIER COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

Years Ended June 30, 2012 and 2011

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors  
Sevier County  
Emergency Communications District  
Sevierville, Tennessee

We have audited the accompanying statement of net assets of Sevier County Emergency Communications District, a component unit of Sevier 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. The financial statements of Sevier County Emergency Communications District as of and for the year ended June 30, 2011, were audited by other auditors who issued an unqualified opinion in their report dated August 31, 2011.

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 Sevier 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.

We also audited the adjustments described in Note G that were applied to restate the financial statements as of and for the year ended June 30, 2011. We were not engaged to audit, review, or apply any procedures to the financial statements of Sevier County Emergency Communications District as of and for the year ended June 30, 2011, other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements as of and for the year ended June 30, 2011, as a whole.

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 Sevier 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 – year ended June 30, 2012 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 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 express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2012 on our consideration of Sevier 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.

October 23, 2012

**Sevier County Emergency Communications District  
Management's Discussion and Analysis  
June 30, 2012**

As management of the Sevier 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.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$2,986,214 (net assets). Of this amount, \$1,790,310 (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 \$2,986,214, an increase of \$264,291 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, which is comprised of the basic financial statements and the notes to the financial statements. Since the District is comprised of a single enterprise fund, no fund level financial statements are shown. In addition, the District has no infrastructure assets and is therefore exempt from required infrastructure disclosures. This report also contains other supplementary information concerning the District's budget to actual comparisons and certain non-financial information required by the Tennessee Emergency Communications Board.

**Basic financial statements:** The basic financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

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. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net assets which indicates an improved financial position.

The statement of revenues, expenses, and changes in net assets presents information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event 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.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budget to actual comparison and certain non-financial information required by the Tennessee Emergency Communications Board.

**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.

**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.

**Sevier County Emergency Communications District  
Statement of Net Assets**

	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 1,805,846	\$ 1,569,643
Capital Assets	<u>1,195,904</u>	<u>1,173,044</u>
<b>Total Assets</b>	<b>\$ 3,001,750</b>	<b>\$ 2,742,687</b>
Total Liabilities	\$ 15,536	\$ 20,764
Net Assets:		
Invested in capital assets	1,195,904	1,173,044
Unrestricted	<u>1,790,310</u>	<u>1,548,879</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,001,750</b>	<b>\$ 2,742,687</b>

The balance of unrestricted net assets, \$1,790,310, 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 \$259,063 during the current fiscal year and \$198,084 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:

**Sevier 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	\$ 668,874	\$ 671,952
Operational funding	442,917	305,803
Non-Operating Revenues:		
Government appropriations	50,000	10,000
Interest income	5,039	18,412
Loss on disposals	<u>(691)</u>	<u>0</u>
<b>Total Revenues</b>	<b>1,166,830</b>	<b>1,006,167</b>

Total Expenses	<u>902,533</u>	<u>828,850</u>
Change in net assets	264,298	177,317
Beginning Net Assets	<u>2,721,923</u>	<u>2,544,606</u>
Ending Net Assets	<u>\$ 2,986,214</u>	<u>\$ 2,721,923</u>

### **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. The board also approved budget amendments to distribute funds budgeted for equipment replacement to major capital asset expenditures.

### **Capital Asset Administration**

The District's investment in capital assets for its activities as of June 30, 2012, amounts to \$1,195,904 (net of accumulated depreciation). This investment in capital assets includes improvements, machinery and equipment, and software.

Major capital asset events during the current fiscal year included the following:

- Standalone network at a cost of \$13,845
- Simulcast paging system at a cost of \$59,501
- Costs for radio console users of \$96,896

### **Sevier County Emergency Communications District's Capital Assets** (Net of Depreciation)

	<u>2012</u>	<u>2011</u>
Buildings and improvements	\$ 771,390	\$ 727,112
Furniture and fixtures	8,536	11,042
Equipment	<u>415,977</u>	<u>434,889</u>
Total capital assets	<u>\$ 1,195,904</u>	<u>\$ 1,173,044</u>

Additional information on the District's capital assets can be found in Note D.

### **Budgetary Highlights**

The original budget was approved in June 2011 for the fiscal year ended June 30, 2012; and in June 2010 for the fiscal year ended June 30, 2011 and were amended as needed throughout each year.

### **Requests for Information**

This financial report is designed to provide a general overview of the Sevier 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 Director, Sevier County Emergency Communications District, 245 Bruce Street, Sevierville, TN 37862.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF NET ASSETS**

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 262,914	\$ 202,940
Investments	1,436,759	1,256,821
Accounts receivable	79,032	84,136
Prepaid expenses	<u>27,142</u>	<u>25,746</u>
<b>TOTAL CURRENT ASSETS</b>	1,805,846	1,569,643
<b>CAPITAL ASSETS</b>		
Building and improvements	697,861	697,861
Furniture and fixtures	78,570	84,859
Equipment	1,785,779	1,730,043
Vehicles	<u>49,438</u>	<u>49,438</u>
	2,611,648	2,562,201
Accumulated depreciation	<u>(1,415,744)</u>	<u>(1,389,157)</u>
	<u>1,195,904</u>	<u>1,173,044</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,001,750</u></b>	<b><u>\$ 2,742,687</u></b>

See the accompanying notes to the financial statements.

	<u>2012</u>	<u>2011</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,387	\$ 12,530
Accrued expenses	2,147	0
Compensated absences payable	<u>8,002</u>	<u>8,234</u>
<b>TOTAL CURRENT LIABILITIES</b>	15,536	20,764
<b>NET ASSETS</b>		
Invested in capital assets	1,195,904	1,173,044
Unrestricted net assets	<u>1,790,310</u>	<u>1,548,879</u>
	<u>2,986,214</u>	<u>2,721,923</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,001,750</u>	<u>\$ 2,742,687</u>

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS**

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUE</b>		
Emergency telephone service charges	\$ 459,321	\$ 485,593
TECB-shared wireless charge	209,236	186,053
TECB-operational funding	442,917	305,803
Other operating revenue	<u>317</u>	<u>306</u>
<b>TOTAL OPERATING REVENUE</b>	1,111,792	977,755
<b>OPERATING EXPENSES</b>		
Salaries and wages:		
Director	65,105	65,038
Administrative personnel	<u>153,808</u>	<u>148,694</u>
	218,913	213,732
Employee benefits:		
Payroll taxes	16,012	15,700
Medical insurance	33,180	32,930
Retirement	<u>28,166</u>	<u>27,629</u>
	77,358	76,259
Contracted services:		
Advertising	736	554
Auditing services	7,234	7,076
Feeds paid to service provider	96,588	86,543
Maintenance agreements	127,711	101,711
Janitorial services	9,488	8,852
Mapping/Data base consultants	21,640	36,470
Maintenance and repairs-communications equipment	9,578	10,986
Maintenance and repairs-buildings and facilities	22,049	7,398
Fuel-vehicles	<u>1,521</u>	<u>416</u>
	296,545	260,006

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS**

(continued)

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Supplies and materials:		
Office supplies	2,991	4,739
Custodial supplies	513	0
Postage	322	44
Small equipment purchases	5,823	0
Utilities-electric	21,255	19,180
Utilities-water and sewer	478	471
Utilities-general telephone	27,773	28,831
Utilities-cell phone	1,280	1,577
	<u>60,435</u>	<u>54,842</u>
Other charges:		
Dues and memberships	1,056	1,048
Training	26,719	17,820
Internet service	1,269	1,056
Insurance-liability	19,498	16,839
Premiums on surety bonds	1,900	708
Public education	12,520	13,305
Miscellaneous	3,130	2,515
	<u>66,091</u>	<u>53,291</u>
Depreciation	<u>182,500</u>	<u>170,720</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>901,842</u>	<u>828,850</u>
<b>INCOME FROM OPERATIONS</b>	209,950	148,905

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS**

(continued)

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>NONOPERATING REVENUE AND EXPENSE</b>		
TECB-grants	50,000	10,000
Interest income	5,039	18,412
Loss on disposals	<u>(691)</u>	<u>0</u>
	<u>54,348</u>	<u>28,412</u>
<b>CHANGE IN NET ASSETS</b>	264,298	177,317
<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	<u>2,721,923</u>	<u>2,544,606</u>
<b>NET ASSETS AT THE END OF THE YEAR</b>	<u>\$ 2,986,214</u>	<u>\$ 2,721,923</u>

See the accompanying notes to the financial statements.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>CASH PROVIDED(USED) BY OPERATING ACTIVITIES</b>		
Cash received from telephone charges	\$ 1,114,739	\$ 978,336
Cash paid to suppliers	(386,971)	(430,900)
Cash paid to employees	<u>(336,150)</u>	<u>(213,935)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	391,617	333,501
<b>CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(206,053)	(71,779)
Loss on disposal	<u>(691)</u>	<u>0</u>
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(206,744)	(71,779)
<b>CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>		
TECB-grants	50,000	10,000
<b>CASH PROVIDED(USED) BY INVESTING ACTIVITIES</b>		
(Decrease) in investments	(179,938)	0
Proceeds from sales of investment	0	844,423
Purchase of investments	0	(1,256,821)
Interest received	<u>5,039</u>	<u>17,723</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>(174,899)</u>	<u>(394,675)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	59,974	(122,953)
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<u>202,940</u>	<u>325,893</u>
<b>CASH AT THE END OF THE YEAR</b>	<u><u>\$ 262,914</u></u>	<u><u>\$ 202,940</u></u>

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

(continued)

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES</b>		
Income from operations	\$ 209,950	\$ 148,905
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	182,500	170,720
Decrease in:		
Accounts receivable	2,947	1,112
Prepaid expenses	1,396	8,094
Increase(decrease) in:		
Accounts payable	(7,091)	4,974
Wages payable	2,147	0
Accumulated compensated absences	(232)	(304)
	<u>181,667</u>	<u>184,596</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 391,617</u></b>	<b><u>\$ 333,501</u></b>

See the accompanying notes to the financial statements.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2012 and 2011

**NOTE A - DESCRIPTION OF ORGANIZATION**

Sevier County Emergency Communications District (the District) was established in February 1987, 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 Sevier County, Tennessee. The District is governed by a nine-member Board of Directors appointed by the Mayor and County Commissioners of Sevier 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 is considered a component unit of Sevier County, Tennessee because the Sevier County mayor appoints, and the Sevier 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 uses the accrual basis of accounting. Revenue is recognized when earned and measurable, and expenses are recognized when 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:

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2012 and 2011

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

	<u>2012</u>	<u>2011</u>
Capital assets	\$ 2,611,648	\$ 2,562,201
Accumulated depreciation	<u>(1,415,744)</u>	<u>(1,389,157)</u>
	<u>\$ 1,195,904</u>	<u>\$ 1,173,044</u>

Restricted: This category includes net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District had no restricted net assets as of June 30, 2012 and 2011.

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

Accounts Receivable

Accounts receivable that are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2012 and 2011, no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets, which include property and equipment, are recorded at cost and defined by the District as assets with an initial, individual cost of \$100 or more. Depreciation is computed using the straight-line method over the estimated useful lives, which range from three 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.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2012 and 2011

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 120 hours. Any hours over 120 will be transferred to the employee's sick leave account. Employees may receive payment for unused vacation leave, up to the 120 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 percent of the uninsured amount of the deposits.

All of the District's cash and cash equivalent balances at June 30, 2012 and 2011 were entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2012 and 2011

**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>				
Equipment	\$ 1,730,043	\$ 205,752	\$ (150,016)	\$ 1,785,779
Furniture and fixtures	84,859	300	(6,589)	78,570
Buildings and improvements	697,861	0	0	697,861
Vehicles	<u>49,438</u>	<u>0</u>	<u>0</u>	<u>49,438</u>
	2,562,201	206,052	(156,605)	2,611,648
<u>Accumulated depreciation</u>				
Equipment	(1,002,931)	(160,782)	149,325	(1,014,389)
Furniture and fixtures	(73,817)	(2,806)	6,589	(70,034)
Buildings and improvements	(262,972)	(18,912)	0	(281,884)
Vehicles	<u>(49,438)</u>	<u>0</u>	<u>0</u>	<u>(49,438)</u>
	<u>(1,389,157)</u>	<u>( 182,500)</u>	<u>155,914</u>	<u>(1,415,744)</u>
	<u>\$ 1,173,044</u>	<u>\$ 23,552</u>	<u>\$ (691)</u>	<u>\$ 1,195,904</u>

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2012 and 2011

**NOTE D - CAPITAL ASSETS**

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

	<u>Balance</u> <u>7/1/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/11</u>
<u>Capital assets being depreciated</u>				
Equipment	\$ 1,660,233	\$ 69,810	\$ 0	\$ 1,730,043
Furniture and fixtures	79,417	5,442	0	84,859
Buildings and improvements	697,861	0	0	697,861
Vehicles	<u>49,438</u>	<u>0</u>	<u>0</u>	<u>49,438</u>
	2,486,949	75,252	0	2,562,201
<u>Accumulated depreciation</u>				
Equipment	(853,740)	(149,191)	0	(1,002,931)
Furniture and fixtures	(71,202)	(2,616)	0	(73,817)
Buildings and improvements	(244,059)	(18,913)	0	(262,972)
Vehicles	<u>(49,438)</u>	<u>0</u>	<u>0</u>	<u>(49,438)</u>
	<u>(1,218,439)</u>	<u>( 170,720)</u>	<u>0</u>	<u>(1,389,157)</u>
	<u>\$ 1,268,510</u>	<u>\$ (95,468)</u>	<u>\$ 0</u>	<u>\$ 1,173,044</u>

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2012 and 2011

**NOTE E - PENSION PLAN**

Information for this footnote for the year ended June 30, 2012, was not available from the State of Tennessee treasurer's office in time for inclusion in this report; therefore, the information presented below is for the fiscal year ended June 30, 2011.

Plan Description

Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with 5 years of service who become disabled and cannot engage in gainful employment. There is no service requirement for a disability that is the result of an accident or injury occurring while the member was in the performance of duty.

Members joining the system after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in the state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of the plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

The District requires employees to contribute 5.0 % of earnable compensation. The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011 was 12.98% 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.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2012 and 2011

Annual Pension Cost

For the year ended June 30, 2011, the District's annual pension cost of \$27,629 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) 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, 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 27,629	100.00%	\$ 0
6/30/10	24,982	100.00%	0
6/30/09	24,941	100.00%	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 78.46% funded. The actuarial accrued liability (AAL) for benefits was \$700,000, and the actuarial value of assets was \$500,000, resulting in a UAAL of \$100,000. The covered payroll (annual payroll of active employees covered by the plan) was \$200,000, and the ratio of the UAAL to the covered payroll was 79.47%.

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

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2012 and 2011

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Actuarial valuation date	7/1/09	7/1/07
Actuarial value of plan assets	\$ 521,000	\$ 428,000
Actuarial accrued liability (AAL)	664,000	543,000
Unfunded AAL (UAAL)	143,000	115,000
Funded ratio	78.46%	78.82%
Covered payroll	180,000	186,000
UAAL as a percentage of covered payroll	79.47%	61.83%

**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 – RESTATEMENT**

Net assets at the beginning of the year have been restated to correct the recording of property as of June 30, 2011. This restatement resulted in a decrease in net assets of \$17,053 for the year ended June 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**FUNDING PROGRESS – POLITICAL SUBDIVISION**  
**PENSION PLAN SUPPLEMENTARY INFORMATION**

June 30, 2012

Actuarial valuation date	7/1/09	7/1/07
Actuarial value of plan assets	\$ 521,000	\$ 428,000
Actuarial accrued liability (AAL)	664,000	543,000
Unfunded AAL (UAAL)	143,000	115,000
Funded ratio	78.46%	78.82%
Covered payroll	180,000	186,000
UAAL as a percentage of covered payroll	79.47%	61.83%

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 two most recent valuations are presented.

Information for this footnote for the year ended June 30, 2012, was not available from the State of Tennessee treasurer's office in time for inclusion in this report; therefore, the information presented above is for the fiscal year ended June 30, 2011.

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

SEVIER 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>
<b>OPERATING REVENUE</b>			
Emergency telephone service charges	\$ 459,321	\$ 473,500	\$ (14,179)
TECB-shared wireless charge	209,236	184,200	25,036
TECB-operational funding	442,917	350,400	92,517
Other operating revenue	<u>317</u>	<u>250</u>	<u>67</u>
<b>TOTAL OPERATING REVENUE</b>	1,111,792	1,008,350	103,442
<b>OPERATING EXPENSES</b>			
Salaries and wages:			
Director	65,105	69,592	(4,487)
Administrative personnel	<u>153,808</u>	<u>164,408</u>	<u>(10,601)</u>
	218,913	234,000	(15,087)
Employee benefits:			
Payroll taxes	16,012	18,000	(1,988)
Medical insurance	33,180	34,000	(820)
Retirement	<u>28,166</u>	<u>28,500</u>	<u>(334)</u>
	77,358	80,500	(3,142)
Contracted services:			
Advertising	736	1,000	(264)
Auditing services	7,234	9,000	(1,766)
Fees paid to service providers	96,588	102,000	(5,412)
Maintenance agreements	127,711	111,000	16,711
Janitorial services	9,488	12,000	(2,512)
Mapping/Data base consultants	21,640	22,000	(360)
Maintenance and repairs- communications equipment	9,578	23,500	(13,922)
Maintenance and repairs- buildings and facilities	22,049	31,000	(8,951)
Fuel vehicles	<u>1,521</u>	<u>4,500</u>	<u>(2,979)</u>
	296,545	316,000	(19,455)

SEVIER 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>
Supplies and materials:			
Office supplies	2,991	7,000	(4,009)
Custodial supplies	513	1,000	(487)
Postage	322	1,000	(678)
Small equipment purchases	5,823	8,000	(2,177)
Utilities-electric	21,255	26,000	(4,745)
Utilities-water and sewer	478	1,000	(522)
Utilities-general telephone	27,773	33,000	(5,227)
Utilities-cell phone	1,280	2,000	(720)
	<u>60,435</u>	<u>79,000</u>	<u>(18,565)</u>
Other charges:			
Dues and memberships	1,056	2,000	(944)
Training	26,719	31,000	(4,281)
Internet service	1,269	2,000	(731)
Insurance-liability	19,498	24,500	(5,002)
Premiums on surety bonds	1,900	2,500	(600)
Public education	12,520	15,000	(2,480)
Miscellaneous	3,130	3,500	(370)
	<u>66,091</u>	<u>80,500</u>	<u>(14,409)</u>
Depreciation	<u>182,500</u>	<u>177,500</u>	<u>5,000</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>901,842</u>	<u>967,500</u>	<u>(65,658)</u>
<b>INCOME FROM OPERATIONS</b>	209,950	40,850	169,100

SEVIER 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>
<b>NONOPERATING REVENUE</b>			
TECB-grants	50,000	100,000	(50,000)
Interest income	5,039	12,000	(6,961)
Loss on disposals	(691)	0	(691)
	<u>54,348</u>	<u>112,000</u>	<u>(57,652)</u>
<b>CHANGE IN NET ASSETS</b>	264,298	152,850	111,448
<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	<u>2,721,923</u>	<u>2,721,923</u>	<u>0</u>
<b>NET ASSETS AT THE END OF THE YEAR</b>	<u>\$ 2,986,214</u>	<u>\$ 2,874,772</u>	<u>\$ 111,448</u>

See the accompanying independent accountants' audit report.

SEVIER 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	GIS Grant	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	\$ 40,000	\$ 40,000	\$ 0
<u>0</u>	<u>10,000</u>	<u>10,000</u>	<u>0</u>
<u>\$ 0</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 0</u>

SEVIER COUNTY EMERGENCY COMMUNICAIONS DISTRICT

**BOARD OF DIRECTORS**

June 30, 2012

Board of Directors for 2011-2012

Jack Baldwin	Pigeon Forge Chief of Police	Chairman of the Board
Randy Brackins	Gatlinburg Chief of Police	Vice-Chairman
Larry Waters	Sevier County Mayor	Treasurer
Steve Huskey	Sevier County Ambulance Service	Secretary
Ron Seals	Sevier County Sheriff	Board Member
Tony Watson	Pigeon Forge Fire Department	Board Member
Don Myers	Sevierville Chief of Police	Board Member
Gene Byrd	County Commissioner	Board Member
Fred Atchley, Jr.	County Commissioner	Board Member

Management Officials for 2011-2012

Vince Loveday	District Coordinator
Alene Galyon	Office Manager

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  
Sevier County  
Emergency Communications District  
Sevierville, Tennessee

We have audited the financial statements of Sevier County Emergency Communications District, a component unit of Sevier County, Tennessee, as of and for the year ended June 30, 2012 and have issued our report thereon dated October 23, 2012. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of Sevier County Emergency Communications District as of and for the year ended June 30, 2011, as described in our report on Sevier County Emergency Communications District's financial statements.

Internal Control Over Financial Reporting

Management of Sevier County Emergency Communications District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sevier 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 Sevier County Emergency Communication District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sevier 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 the Sevier 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 Sevier 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*.

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 Emert & Hill". The signature is written in a cursive, flowing style.

October 23, 2012