

**TIPTON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012**

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INTRODUCTORY SECTION

**TIPTON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
DISTRICT OFFICIALS
JUNE 30, 2012**

Director

Ruth Renee Downing

Operations Manager

Dana Howeth

Board of Directors

Jim Harger, Chairman

James Sneed, Vice Chairman

James Timbs, Treasurer

Bennie Carver

Larry McKee

Jeff Mason

Tommy Rogers

Roy Warmath

1 Vacant Position

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Tipton County Emergency Communications District
Covington, Tennessee

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Tipton County Emergency Communications District as of June 30, 2012, and the respective changes in financial position 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 November 6, 2012, on our consideration of Tipton County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Retirement Plan - Schedule of Funding Progress as

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

A handwritten signature in cursive script that reads "Whitehorn Tarkenton & Davis, PLLC".

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

Our discussion and analysis of Tipton County Emergency Communications District's (the "District") financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2012. It should be read with the District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- The District's net assets decreased approximately \$76,000 from the prior year as a result of this year's operations.
- Operating expenses increased to approximately \$1,168,000 in the current year, from \$1,070,000 for the year ending June 30, 2011.
- Current year revenues, including contributions and grants from participating local and state governments, were approximately \$1,091,000, an increase of \$16,000 from the immediately preceding year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following parts: Management's Discussion and Analysis, Financial Statements, Notes to the Financial Statements, Required Supplementary Information, and Other Supplementary Information.

USING THIS ANNUAL REPORT AND REQUIRED FINANCIAL STATEMENTS

This annual report consists of several basic financial statements. The Statement of Net Assets provides a measure of the difference between the District's assets and its liabilities at a given point in time, at our fiscal year-end date of June 30. The Statement of Activities provides information about the sources of income and how the resources were used during the fiscal year. The Statement of Cash Flows gives a detail of how cash was received and used during the fiscal year. The budgetary comparison data compares actual results of operations against budgeted amounts. Our analysis of the financial status of Tipton County Emergency Communications District begins below.

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

CONDENSED COMPARATIVE FINANCIAL INFORMATION

The District's total net assets decreased from a year ago, and this analysis presents net assets at June 30 for two years (Table 1) and the changes in net assets (Table 2) for each of the years.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2012**

**TABLE 1
NET ASSETS
(IN THOUSANDS)**

	<u>2012</u>	<u>2011</u>
Current Assets	\$ 1,630	\$ 1,533
Equipment	<u>449</u>	<u>606</u>
Total Assets	<u>2,079</u>	<u>2,139</u>
Current Liabilities	<u>56</u>	<u>40</u>
Net Assets		
Invested in capital assets	449	606
Unrestricted	<u>1,574</u>	<u>1,493</u>
Total Net Assets	<u>\$ 2,023</u>	<u>\$ 2,099</u>

Total net assets decreased by \$76,000 during the current year as a result of revenues from telephone tariffs and grants from participating governments, net of expenses.

A summary of the District's Statement of Revenues, Expenses, and Changes in Net Assets is given below:

**TABLE 2
REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(IN THOUSANDS)**

	<u>2012</u>	<u>2011</u>
Revenues and Contributions		
Operating revenues	\$ 729	\$ 767
Contributions from local and other governments	337	337
Interest and other	<u>25</u>	<u>(29)</u>
Total Revenues and Contributions	<u>1,091</u>	<u>1,075</u>
Operating Expenses		
Salaries and benefits	793	770
Contracted services	184	141
Supplies and materials	21	22
Depreciation	149	115
Other	<u>20</u>	<u>22</u>
Total Operating Expenses	<u>1,167</u>	<u>1,070</u>
Capital Contributions	<u>-</u>	<u>237</u>
Change in Net Assets	<u>\$ (76)</u>	<u>\$ 210</u>

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2012**

Our expenses were up from \$1,070,000 to \$1,167,000 largely due to increased salaries and benefits of \$23,000, contracted services of \$43,000, and depreciation of \$34,000. Other expenses were slightly less than last year.

BUDGETARY MATTERS

Several times during the course of the year budgeted income and expenses were changed to reflect changing expectations and desires of the board to allocate resources to achieve our objectives.

CAPITAL ASSET ADMINISTRATION

At the end of our fiscal year the District has a total of approximately \$449,000 invested in various capital assets, primarily in communications equipment, stated at original cost less related depreciation expense.

**TABLE 3
CAPITAL ASSETS AT YEAR END
(IN THOUSANDS)**

	2012	2011
Equipment held for future use	\$ 68	\$ 75
Communication related equipment	355	501
Furniture and fixtures	1	4
Dispatch room	25	26
Total Capital Assets	\$ 449	\$ 606

There were no purchases of capital assets this year and approximately \$69,000 of communication equipment became obsolete and was junked.

ECONOMIC FACTORS FOR NEXT YEAR

In spite of continuing inflation and a steadily increasing population, the District did not raise its rates to several local government partners in the current fiscal year.

The District budgeted a total of \$17,000 in new equipment purchases for the fiscal year ending June 30, 2013. We expect to pay this amount from routine operations. No other large increases over the prior year's budget were made.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2012**

FINANCIAL CONTACT

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information, please contact the District's Director at 220 Highway 51 North, Covington, Tennessee 38019.

TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS**CURRENT ASSETS**

Cash	\$ 396,028
Investments-certificates of deposit	1,147,866
Accrued interest receivable	1,942
Accounts receivable	29,207
Due from Tennessee Emergency Communications Board	<u>55,013</u>
TOTAL CURRENT ASSETS	<u>1,630,056</u>

NONCURRENT ASSETS**Capital Assets****Not being depreciated**

Equipment held for future use	<u>67,500</u>
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Being depreciated

Communication equipment	1,039,466
Furniture	15,430
Vehicle	22,750
Leasehold improvements	33,460
Less accumulated depreciation	<u>(729,409)</u>
	<u>381,697</u>

**TOTAL CAPITAL ASSETS, NET OF
ACCUMULATED DEPRECIATION**

449,197

TOTAL ASSETS	<u>\$ 2,079,253</u>
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LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts payable	\$ 24,437
Accrued payroll	8,090
Accrued expenses	11,245
Compensated absences	<u>12,473</u>
TOTAL CURRENT LIABILITIES	<u>56,245</u>

NET ASSETS

Invested in capital assets	449,197
Unrestricted	<u>1,573,811</u>
TOTAL NET ASSETS	<u>2,023,008</u>

TOTAL LIABILITIES AND NET ASSETS	<u>2,079,253</u>
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**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012**

OPERATING REVENUES

Emergency telephone service charges	\$ 347,587
Tennessee Emergency Communications Board	
Shared wireless charge	142,177
Operational funding	<u>238,995</u>
TOTAL OPERATING REVENUE	<u>728,759</u>

OPERATING EXPENSES

Salaries and wages	
Director	48,323
Administrative personnel	37,094
Dispatchers	459,633
Part time personnel	15,125
Bonuses	<u>14,956</u>
	<u>575,131</u>
Employee benefits	
Payroll taxes	47,310
Insurance	119,554
Retirement	<u>50,836</u>
	<u>217,700</u>
Contracted services	
Advertising	528
Audit and accounting services	9,775
Legal services	9,814
NCIC/TBI/TIES expenses	9,211
Consultants	17,364
Maintenance	43,918
Noncapitalized equipment	24,435
Other contracted services	<u>69,220</u>
	<u>184,264</u>
Supplies and materials	
Office supplies and postage	3,000
Other supplies	899
Utilities and telephones	<u>17,415</u>
	<u>21,314</u>
Other charges	
Insurance	10,987
Training and travel	7,383
Other	<u>1,464</u>
	<u>19,834</u>
Depreciation	<u>149,419</u>
TOTAL OPERATING EXPENSES	<u>1,167,663</u>

OPERATING (LOSS) (438,904)

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 13,306
Contributions from governments	
Primary government	160,000
Other governments	177,401
Impairment loss on equipment held for future use	(7,500)
Other	<u>19,109</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>362,316</u>
CHANGE IN NET ASSETS	(76,588)
NET ASSETS	
Balance at July 1, 2011, as restated	<u>2,099,596</u>
Balance at June 30, 2012	<u>\$ 2,023,008</u>

See notes to financial statements

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from surcharges and other operating revenues	\$ 731,491
Cash payments to suppliers for goods and services	(197,073)
Cash payments for payroll, taxes, and employee benefits	(805,297)
Other revenues	<u>19,109</u>
Net cash (used) by operating activities	<u>(251,770)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Contributions from primary government	160,000
Contributions from other governments	<u>177,401</u>
Net cash provided by noncapital financing activities	<u>337,401</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>2,675</u>
Net cash provided by investing activities	<u>2,675</u>

NET INCREASE IN CASH

88,306

CASH

Balance at July 1, 2011	<u>307,722</u>
Balance at June 30, 2012	<u>\$ 396,028</u>

See notes to financial statements

TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS - CONTINUED
YEAR ENDED JUNE 30, 2012

**RECONCILIATION OF OPERATING (LOSS) TO NET CASH
(USED) BY OPERATING ACTIVITIES**

Operating (loss)	\$ (438,904)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	149,419
Other nonoperating revenue	19,109
Changes in assets and liabilities	
Accounts receivable	4,032
Due from Tennessee Emergency Communications Board	(1,300)
Accounts payable	17,960
Accrued payroll	(16,261)
Accrued expenses	10,380
Compensated absences	<u>3,795</u>
	<u>187,134</u>

NET CASH (USED) BY OPERATING ACTIVITIES \$ (251,770)

**NONCASH INVESTING, CAPITAL AND
FINANCING ACTIVITIES**

Interest credited to certificates of deposit

	<u>\$ 11,839</u>
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**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL STATEMENT - Tipton County Emergency Communications District (District) complies with accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The District applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has elected not to apply FASB ASC pronouncements issued after November 30, 1989.

FINANCIAL REPORTING ENTITY - The District is a component unit of Tipton County, Tennessee, the primary government unit. The District is considered a component unit of Tipton County because Tipton County appoints a majority of the District's Board of Directors, and the District must obtain County Commission approval before the issuance of most debt and/or the County Commission has the ability to adjust the District's service charges. The financial statements present only the financial position and changes in financial position of the District and are not intended to present fairly the financial position of Tipton County, Tennessee and the changes in its financial position in conformity with U.S. generally accepted accounting principles.

The District was formed by the Tipton County Legislature under provisions of Tennessee law on June 30, 1988. As such, it is a public corporation authorized to maintain and operate an emergency communications system providing 911 service within the boundaries of Tipton County, Tennessee. Under law it is a body politic, without powers of taxation, governed by an appointed nine-member Board of Directors. It is funded by monthly user fees, or tariff rates, charged on each resident and business telephone within the County, contributions from participating governments, and by funding from the Tennessee Emergency Communications Board.

BASIS OF PRESENTATION - The financial statements of the District are organized into a fund, which is considered to be a separate accounting entity. The fund is accounted for by providing a set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenses. The financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

PROPRIETARY FUND

Enterprise Fund - An Enterprise Fund is used to account for business-like activities that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Enterprise Fund accounts for the operations of the emergency communications system. Operating revenues are derived principally from service charges and funding from the Tennessee Emergency Communications Board.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Measurement focus is a term used to describe “which” transactions are recorded within the financial statements.

The proprietary fund is accounted for using the “economic resources” measurement focus. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (revenues) and decreases (expenses) in total net assets.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. Proprietary funds utilize the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

DEPOSITS - Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. Although the District has not formally adopted a policy regarding collateralization of deposits, the District follows collateralization requirements of State statutes.

INVESTMENTS - State statutes authorize the District to invest in obligations of the U.S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest by the United States or any of its agencies, repurchase agreements, the Tennessee local government investment pool, certificates of deposit at state and federally chartered banks and savings and loan associations, and money market funds approved by the state director of local finance.

Investments with a remaining maturity of more than one year at the time of purchase are reported at fair value as determined by quoted market prices. Short-term investments are reported at amortized cost, which approximates fair value.

ACCOUNTS RECEIVABLE - Accounts receivable result principally from unpaid user fees or tariff rates. Accounts receivable are reported net of any necessary allowance for uncollectible accounts and revenues are reported net of uncollectibles. Allowances, or any need therefore, are based on past history of uncollectible accounts and management’s analysis of current accounts. There was no allowance for uncollectible accounts at June 30, 2012 nor any uncollectible amounts netted with charges for user fees or tariffs for the year ended June 30, 2012.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

CAPITAL ASSETS - Capital assets include property and equipment. The District has adopted a formal capitalization policy whereby assets with an individual cost of at least \$5,000 and an estimated useful life in excess of one year are capitalized. The District's assets are capitalized at historical cost or estimated historical cost. Gifts or contributions of capital assets are recorded at fair value when received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

A provision for depreciation is made on a basis considered adequate to amortize costs over the assets' estimated useful lives using the straight-line method. Useful lives are estimated at 5 - 10 years.

RESTRICTED RESOURCES - The District elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

NET ASSETS - Equity is classified as net assets and displayed in the following three components:

Invested in Capital Assets - Consists of capital assets, net of accumulated depreciation.

Restricted - Consists of net assets for which constraints are placed thereon by outside sources or external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.

Unrestricted - All other net assets that do not meet the description of the above categories.

CASH FLOWS - For purposes of reporting cash flows, cash consists of cash on hand and on deposit with banks. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Certificates of deposit with original maturities of three months or more when purchased are classified as investments.

RETIREMENT PLAN - Costs of the retirement plan are computed by the frozen entry age actuarial cost method, including a cost-of-living provision and amortization of prior service costs. Pension costs are funded as accrued.

COMPENSATED ABSENCES - Vacation pay for employees is accrued as an expense at the time the employees have a vested right to receive it. Sick leave is not accrued as the employees never have a vested right to receive it.

TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BUDGETS - The District prepares a budget for management monitoring and control and to comply with Tennessee law. The budget, which is prepared at the line item level, is approved by the Board of Directors and is on a basis generally consistent with generally accepted accounting principles. Appropriations lapse at the end of the year.

NOTE 2 - CAPITAL ASSETS

Capital asset activity during the year was as follows:

	<u>BALANCE</u> <u>JULY 1, 2011</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2012</u>
Capital assets not being depreciated				
Equipment held for future use	\$ 75,000	\$ -	\$ (7,500)	\$ 67,500
Total capital assets not being depreciated	<u>75,000</u>	<u>-</u>	<u>(7,500)</u>	<u>67,500</u>
Other capital assets				
Communication equipment	1,108,210	-	(68,744)	1,039,466
Furniture	19,095	-	(3,665)	15,430
Vehicle	22,750	-	-	22,750
Leasehold improvements	<u>33,460</u>	<u>-</u>	<u>-</u>	<u>33,460</u>
Total other capital assets at historical cost	<u>1,183,515</u>	<u>-</u>	<u>(72,409)</u>	<u>1,111,106</u>
Less accumulated depreciation				
Communication equipment	(608,095)	(147,176)	70,900	(684,371)
Furniture	(14,821)	(702)	1,509	(14,014)
Vehicle	(22,750)	-	-	(22,750)
Leasehold improvements	<u>(6,733)</u>	<u>(1,541)</u>	<u>-</u>	<u>(8,274)</u>
Total accumulated depreciation	<u>(652,399)</u>	<u>(149,419)</u>	<u>72,409</u>	<u>(729,409)</u>
Other capital assets, net	<u>531,116</u>	<u>(149,419)</u>	<u>-</u>	<u>381,697</u>
Capital assets, net	<u>\$ 606,116</u>	<u>\$ (149,419)</u>	<u>\$ (7,500)</u>	<u>\$ 449,197</u>

Depreciation expense for the year ended June 30, 2012 was \$149,419.

The District occupies space in a county-owned building at no rent expense.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NOTE 3- RISK FINANCING ACTIVITIES

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, employment practices, public officials liability, worker's compensation, and employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 4 - RETIREMENT PLAN

PLAN DESCRIPTION - Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became 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 5 years of service and members joining prior to July 1, 1979 were vested after 4 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 www.treasury.state.tn.us/tcrs/ps.

FUNDING POLICY - The District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0% of annual covered payroll.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012 was 8.88% 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.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NOTE 4 - RETIREMENT PLAN - CONTINUED

ANNUAL PENSION COST - For the year ended June 30, 2012, the District's annual pension cost of \$50,836 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 percent 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 is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 9 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

TREND INFORMATION

<u>FISCAL YEAR ENDED</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
6/30/12	\$50,836	100.00%	\$0.00
6/30/11	\$53,346	100.00%	\$0.00
6/30/10	\$49,301	100.00%	\$0.00

FUNDED STATUS AND FUNDING PROGRESS - As of July 1, 2011, the most recent actuarial valuation date, the plan was 96.81% funded. The actuarial accrued liability for benefits was \$.58 million, and the actuarial value of assets was \$.56 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.02 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.55 million, and the ratio of the UAAL to the covered payroll was 3.34%.

The Schedule of Funding Progress, presented as required supplementary information (RSI) 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.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NOTE 4 - RETIREMENT PLAN - CONTINUED

(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))
7/01/11	\$ 560	\$ 579	\$ 19	96.81 %	\$ 553	3.34 %
7/01/09	\$ 367	\$ 390	\$ 23	94.29 %	\$ 537	4.14 %
7/01/07	\$ 262	\$ 287	\$ 25	91.29 %	\$ 427	5.85 %

NOTE 5 - PRIOR PERIOD ADJUSTMENT

The balance of net assets as of July 1, 2011 was increased by \$31,476 over the amount previously reported in the June 30, 2011 financial statements due to the determination that the receivable from Tennessee Emergency Communications Board as of June 30, 2011 was understated by \$31,476. The effect on the change in net assets for the year ended June 30, 2011 was insignificant.

REQUIRED SUPPLEMENTARY INFORMATION

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
RETIREMENT PLAN - SCHEDULE OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2012**

(Dollar amounts in thousands)

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS (A)</u>	<u>ACTUARIAL ACCRUED LIABILITY (AAL) (B)</u>	<u>UNFUNDED AAL (UAAL) (B)-(A)</u>	<u>FUNDED RATIO (A/B)</u>	<u>ANNUAL COVERED PAYROLL (C)</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL ((B-A)/(C))</u>
7/01/11	\$560	\$579	\$19	96.81%	\$553	3.34%
7/01/09	\$367	\$390	\$23	94.29%	\$537	4.14%
7/01/07	\$262	\$287	\$25	91.29%	\$427	5.85%

SCHEDULE

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON
YEAR ENDED JUNE 30, 2012**

	<u>ACTUAL</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET UNDER(OVER)</u>
		<u>ORIGINAL</u>	<u>FINAL</u>	
OPERATING REVENUES				
Emergency telephone service charges				
AT&T	\$ 151,417	\$ 168,000	\$ 168,000	\$ 16,583
Millington Telephone	178,562	186,000	186,000	7,438
Other	17,608	12,000	12,000	(5,608)
Tennessee Emergency Communications Board				
Shared wireless charge	142,177	120,000	120,000	(22,177)
Operational funding	<u>238,995</u>	<u>246,855</u>	<u>246,855</u>	<u>7,860</u>
TOTAL OPERATING REVENUES	<u>728,759</u>	<u>732,855</u>	<u>732,855</u>	<u>4,096</u>
OPERATING EXPENSES				
Salaries and wages				
Director	48,323	47,419	47,419	(904)
Administrative personnel	37,094	37,527	37,527	433
Dispatchers				
Regular	449,805	465,359	465,359	15,555
Overtime	9,828	20,000	20,000	10,172
Part time personnel	15,125	20,800	20,800	5,675
Bonuses	<u>14,956</u>	<u>14,956</u>	<u>14,956</u>	<u>-</u>
	<u>575,131</u>	<u>606,062</u>	<u>606,062</u>	<u>30,931</u>
Employee benefits				
Payroll taxes	47,310	60,606	60,606	13,297
Insurance				
Life	1,284	1,440	1,440	156
Health	118,271	130,000	130,000	11,729
Retirement	<u>50,836</u>	<u>51,503</u>	<u>51,503</u>	<u>667</u>
	<u>217,700</u>	<u>243,549</u>	<u>243,549</u>	<u>25,849</u>
Contracted services				
Advertising	528	500	528	-
Audit and accounting services ...	9,775	10,000	10,000	225
Legal services	9,814	5,000	10,000	186
NCIC/TBI/TIES expenses	9,211	8,400	9,211	-
Consultants	17,364	-	-	(17,364)
Maintenance				
Maintenance agreements	41,500	45,000	45,000	3,500
Maintenance and repairs	355	38,000	38,000	37,645
Vehicle maintenance	473	1,437	1,430	957
Vehicle fuel	1,589	1,500	1,507	(82)
Noncapitalized equipment				
Communication equipment ...	21,838	-	-	(21,838)
Other equipment	2,597	6,000	6,000	3,403

TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON - CONTINUED
YEAR ENDED JUNE 30, 2012

	<u>ACTUAL</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET UNDER(OVER)</u>
		<u>ORIGINAL</u>	<u>FINAL</u>	
OPERATING EXPENSES -				
CONTINUED				
Contracted services - continued				
Service providers				
Lease/rental	\$ 3,085	\$ 3,600	\$ 3,600	\$ 515
Service fees	<u>66,135</u>	<u>62,400</u>	<u>62,400</u>	<u>(3,735)</u>
	<u>184,264</u>	<u>181,837</u>	<u>187,676</u>	<u>3,412</u>
Supplies and materials				
Office supplies	2,695	4,000	4,000	1,305
Postage	305	528	528	223
Custodial supplies	765	1,500	1,500	735
Other supplies	133	1,000	1,000	867
Utilities				
Electric	3,049	2,500	3,500	451
Telephone	<u>14,367</u>	<u>15,000</u>	<u>15,000</u>	<u>633</u>
	<u>21,314</u>	<u>24,528</u>	<u>25,528</u>	<u>4,214</u>
Other charges				
Bank charges	433	780	780	348
Dues and memberships	703	1,500	1,500	797
Testing and examinations	-	1,000	1,000	1,000
Miscellaneous	329	5,000	5,000	4,671
Insurance				
Workmens compensation	2,409	3,500	3,500	1,091
Liability	5,805	5,800	5,805	-
Vehicle	1,196	1,200	1,200	4
Surety bond	1,577	2,500	2,500	923
Training and travel				
Other	<u>7,383</u>	<u>5,000</u>	<u>5,000</u>	<u>(2,383)</u>
	<u>19,834</u>	<u>26,280</u>	<u>26,285</u>	<u>6,451</u>
Depreciation	<u>149,419</u>	<u>161,965</u>	<u>161,965</u>	<u>12,546</u>
TOTAL OPERATING				
EXPENSES	<u>1,167,663</u>	<u>1,244,221</u>	<u>1,251,065</u>	<u>83,402</u>
OPERATING (LOSS)	<u>(438,904)</u>	<u>(511,366)</u>	<u>(518,210)</u>	<u>(79,306)</u>

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON - CONTINUED
YEAR ENDED JUNE 30, 2012**

	<u>ACTUAL</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET UNDER(OVER)</u>
		<u>ORIGINAL</u>	<u>FINAL</u>	
NONOPERATING REVENUES (EXPENSES)				
Interest income	\$ 13,306	\$ 12,000	\$ 12,000	\$ (1,306)
Contributions from governments				
Primary government	160,000	16,000	160,000	-
Other governments				
Town of Atoka	25,000	25,000	25,000	-
Town of Brighton	18,120	18,120	18,120	-
City of Covington	100,000	100,000	100,000	-
Town of Mason	4,281	4,281	4,281	-
City of Munford	30,000	30,000	30,000	-
Impairment loss on equipment held for future use	(7,500)	-	-	7,500
Other	19,109	-	-	(19,109)
TOTAL NONOPERATING REVENUES (EXPENSES) ...	<u>362,316</u>	<u>349,401</u>	<u>349,401</u>	<u>(12,915)</u>
CHANGE IN NET ASSETS	(76,588)	(161,965)	(168,809)	(92,221)
NET ASSETS				
Balance at July 1, 2011, as restated .	<u>2,099,596</u>	<u>2,099,596</u>	<u>2,099,596</u>	<u>-</u>
Balance at June 30, 2012	<u>\$ 2,023,008</u>	<u>\$ 1,937,631</u>	<u>\$ 1,930,787</u>	<u>\$ (92,221)</u>

**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
Tipton County Emergency Communications District
Covington, Tennessee

We have audited the financial statements of the Tipton County Emergency Communications District (a component unit of Tipton County, Tennessee) as of and for the year ended June 30, 2012, which collectively comprise the Tipton County Emergency Communications District's basic financial statements and have issued our report thereon dated November 6, 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings to be material weaknesses (Item No. 2011-1 and Item No. 2012-1).

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Tipton 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*.

We noted a certain matter that we reported to management and the Board of Directors of Tipton County Emergency Communications District in our governance report dated November 6, 2012.

Tipton County Emergency Communications District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Tipton County Emergency Communications District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and the Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Whitson Lakenby & Sons, PLLC

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

MATERIAL WEAKNESSES

Item No. 2011-1: Adjustment of General Ledger Account Balances

Condition: The following material audit adjustments were proposed: (1) record additional receivables at year end and (2) correction of beginning net assets due to understatement of receivables at June 30, 2011.

Criteria: The District is responsible for internal controls over the adjustment of its general ledger account balances.

Effect: The general ledger account balances for receivables, revenues, and net assets were misstated.

Recommendation: Appropriate care should be taken to ensure that general ledger account balances are properly stated prior to commencement of the audit.

Management response: We will coordinate such matters with our contract CPA to try to avoid such misstatements in the future.

Item No. 2012-1: Cash Receipts

Condition: There was no control listing made of mail cash receipts prior to such receipts being turned over to personnel with access to general ledger accounting applications.

Criteria: Individuals who have access to accounting records and perform accounting procedures should not have initial control of cash receipts.

Effect: There is an opportunity for a theft of cash receipts to occur and such theft could be concealed in the accounting records.

Recommendation: The individual picking up the mail should be someone without access to accounting records. This individual should make a listing of the cash receipts, sign the listing, and retain the listing for later comparison to deposit records, when necessary.

Management response: The recommendation has been implemented.

TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATUS OF PRIOR YEARS' FINDINGS
YEAR ENDED JUNE 30, 2012

ITEM NOT CORRECTED

Item No. 2011-1: Adjustment of General Ledger Account Balances

