

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

**THE WHITE COUNTY 911
EMERGENCY COMMUNICATIONS DISTRICT
(A component unit of White County, Tennessee)
SPARTA, TENNESSEE**

Year ended June 30, 2012

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INTRODUCTORY SECTION

**THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OFFICIALS
June 30, 2012**

Board of Directors:

Denny Wayne Robinson - Chairman

Chris Isom – Vice-Chairman

Matt McBride – Secretary/Treasurer

Geeta McMillan - Board Member

Robert McCormick - Board Member

Jerry Fowler - Board Member

Jerry Denton – Board Member

Management Officials:

Greg England – Communications Director

FINANCIAL SECTION

ALBERT R. DICUS

Certified Public Accountant

Member: AICPA; TSCPA

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***P.O. Box 176
131 South Main Street
Sparta, Tennessee 38583***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The White County 911 Emergency
Communications District
Sparta, Tennessee

I have audited the accompanying statement of net assets of the White County 911 Emergency Communications District, a component unit of White County, Tennessee, as of June 30, 2012, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the White County 911 Emergency Communications District, as of June 30, 2012, changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 20, 2012, on my consideration of the White County 911 Emergency Communications District's internal control over financial reporting and my 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 my 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 conformity with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress on pages 8 through 14 and page 32, respectively, 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of the White County 911 Emergency Communications District of White County, Tennessee. The information presented as "Other Financial Information" in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of the White County 911 Emergency Communications District of White County, Tennessee. The information presented as the "Introductory Section" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information presented as the "Introductory Section" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.



Certified Public Accountant

Sparta, Tennessee
November 20, 2012

White County E9-1-1



P.O. Box 911
2677 Crossville Highway
Sparta, TN 38583

Phone: (931) 738-8653
Fax: (931) 738-8683

E9-1-1 Board Members
White County Emergency
Communications District
Sparta, Tennessee

INDEPENDENT AUDIT

The unqualified opinion of our independent auditor, Albert R. Dicus, CPA, is included in this report on page 6 and 7.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the White County Emergency Communications District (ECD) financial condition and results of operations for the year ended June 30, 2012. This information should be read in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

The Director believes the ECD's financial position has improved over the prior fiscal year and remains strong. The ECD has no debt, and, therefore, has no debt service. The following are key financial highlights:

- The ECD keeps its firm commitment by continuing its upgrade and maintenance program of the computer-based GIS system in 2011/2012 to assist in receiving both landline and cell phone calls to the PSAP. The ECD also is assisted with this system in VOIP (voice over internet) calls.
- The ECD continues to work with COMBIX, who installed our Windows-based PSAP, consisting of COMBIX ENROUTE 911 telephone system. This includes updates of the mapping centerline data compatible with Tennessee DOT and Homeland Security and also COMBIX CAD (Computer Aided Dispatch) system.
- The ECD was part of 62,676 inbound telephone calls answered by dispatchers for 2011/2012. The calls generated 37,658 CAD cards for 2011/2012. There were 9,304 actual 9-1-1 dispatches of life or property-threatening situations in 2011/2012.

- The board voted to upgrade the PSAP's controller/switch and workstations at the main 911 building on Crossville Highway at a cost of \$169,227.73 to conform to TECB requirements of being Next Generation/i3 compliant. The upgrade included three (3) additional workstations to be used for backup/contingency dispatching. An initial payment of thirty (30) percent of the contract price was paid in May 2012, with three (3) additional payments scheduled to be made in the upcoming 2012-2013 fiscal year as contractual milestones are met.
- Total assets at year-end were \$1,447,571 and exceeded total liabilities by \$1,314,050 (net assets). Of the total net assets, \$544,625 was unrestricted and was available to support short-term operations. Total assets and total net assets increased from 2011 to 2012 by \$476,653 and \$413,093, respectively. Unrestricted net assets increased from 2011 by \$212,965.
- Operating revenues were \$457,905, an increase of \$22,695, or 5.21%, from 2011.
- Operating expenses before depreciation decreased by \$26,187 for 2012, which is a decrease of -4.69%, compared to 2011.
- Operating loss for the year was \$146,056, representing a 16.66% decrease from 2011. The increase in the increase in net assets was \$413,093 when compared to 2011.
- The ratios of operating income to total operating revenues were -31.90% for 2012 compared to -40.27% for 2011.
- A Grant for \$10,000 was received from the Tennessee Emergency Communications Board for use in GIS maintenance in 2011/2012, and \$12,000 was received for use with dispatcher training.
- Funds totaling \$169,278 was received from the Tennessee Emergency Communications Board earmarked for operating budget in lieu of losing landline telephone revenue income and takes place of the Rural Dispatcher Grant. This money is included as operating income in the financial statements. The money received from the state for this is divided into payments received every two months throughout the year from the state.
- The ECD receives operating revenue from both landline and wireless phone fees with additional non-operating and capital revenue needs received from the County of White and City of Sparta based on Intergovernmental agreement between White County ECD and County of White / City of Sparta.

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the ECD's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the ECD's budget and other management tools were used for this analysis.

The financial statements report information about the ECD using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a statement of net assets; a statement of revenues, expenses, and changes in net assets; a statement of cash flows; and notes to the financial statements. The statement of net assets presents the financial position of the ECD on a full accrual basis of accounting. While the statement of net assets provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses and changes in net assets presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The statement also provides certain information about the ECD's recovery of its costs.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the ECD's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

SUMMARY OF ORGANIZATION AND BUSINESS

The White County Emergency Communications District was established on January 21, 1991, by a resolution of the County Commissioners of White County, Tennessee, in accordance with the TCA 7-86-101. The resolution was passed after the voters of White County approved the establishment of such District by a 92% vote on November 6, 1990. The jurisdiction of the ECD includes all of White County, Tennessee.

The ECD's capital assets consist of the land, buildings, tower, and all equipment located at 2677 Crossville Highway, Sparta, Tennessee; the land, building, tower, and equipment located at 121 Jasper Street, Sparta, Tennessee; and the land, building, tower and all equipment located at 1750 Fire Tower Road, Sparta, Tennessee.

The ECD receives financial support from telephone surcharge, County of White, Tennessee and the City of Sparta, Tennessee.

FINANCIAL ANALYSIS

The following comparative condensed financial statements and other selected information provides key financial data and indicators for management, monitoring, and planning.

**WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
 CONDENSED STATEMENTS OF NET ASSETS
 June 30, 2012 and June 30, 2011**

| ASSETS | 2012 | 2011 | Variance | |
|--|------------------------|----------------------|----------------------|---------------|
| | | | Amount | % |
| Current Assets | \$ 728,563.68 | \$ 349,398.08 | \$ 379,165.60 | 108.52% |
| Capital Assets: | | | | |
| Producing - Net | 718,656.94 | 621,170.02 | 97,486.92 | 15.69% |
| Utility Deposits | 350.00 | 350.00 | - | |
| TOTAL ASSETS | \$ 1,447,570.62 | \$ 970,918.10 | \$ 476,652.52 | 49.09% |
| LIABILITIES | | | | |
| Current Liabilities | \$ 133,520.24 | \$ 69,960.71 | \$ 63,559.53 | 90.85% |
| NET ASSETS | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 600,197.53 | \$ 569,297.22 | \$ 30,900.31 | 5.43% |
| Restricted for | | | | |
| Capital Activity | 169,227.73 | - | 169,227.73 | |
| Unrestricted | 544,625.12 | 331,660.17 | 212,964.95 | 64.21% |
| TOTAL NET ASSETS | \$ 1,314,050.38 | \$ 900,957.39 | \$ 413,092.99 | 45.85% |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,447,570.62 | \$ 970,918.10 | \$ 476,652.52 | 49.09% |

WHITE COUNTY 911 EMERGENCY COMMUNICATION DISTRICT
CONDENSED STATEMENT OF REVENUES, EXPENSES & CHANGE IN NET ASSETS
For Years Ended June 30, 2012 and June 30, 2011

| | <u>2012</u> | <u>2011</u> | <u>Variance</u> | |
|-----------------------------------|------------------------|----------------------|----------------------|---------|
| | | | Amount | % |
| Operating revenues: | | | | |
| Emergency telephone charges | \$ 228,008.60 | \$ 232,024.48 | \$ (4,015.88) | |
| State shared wireless charge | 60,617.86 | 60,394.75 | 223.11 | |
| State operational funding | <u>169,278.41</u> | <u>142,790.76</u> | <u>26,487.65</u> | |
| Total Operating Revenue | \$ 457,904.87 | \$ 435,209.99 | \$ 22,694.88 | 5.21% |
| Non-operating income: | | | | |
| Interest income | \$ 736.55 | \$ 1,695.03 | \$ (958.48) | |
| Other non-operating income | 934.20 | 760.99 | 173.21 | |
| Gain on disposal of property | 3,500.00 | - | 3,500.00 | |
| Contributions -primary government | 100,000.00 | 100,000.00 | - | |
| Contributions - other governments | 25,000.00 | 25,000.00 | - | |
| State ECB grant | <u>22,000.00</u> | <u>22,000.00</u> | <u>-</u> | |
| Total Non-operating income | \$ 152,170.75 | \$ 149,456.02 | \$ 2,714.73 | 1.82% |
| Total Revenues | \$ 610,075.62 | \$ 584,666.01 | \$ 25,409.61 | 4.35% |
| Operating expenses: | | | | |
| Salaries, wages, and benefits | \$ 403,227.47 | \$ 421,663.98 | \$ (18,436.51) | |
| Contracted services | 73,149.78 | 83,160.66 | (10,010.88) | |
| Supplies and materials | 26,783.25 | 30,430.34 | (3,647.09) | |
| Other expenses | 29,059.35 | 23,151.06 | 5,908.29 | |
| Depreciation | <u>71,740.81</u> | <u>52,047.27</u> | <u>19,693.54</u> | |
| Total Operating Expenses | \$ 603,960.66 | \$ 610,453.31 | \$ (6,492.65) | -1.06% |
| Increase in Net Assets Before | | | | |
| Capital Contributions | \$ 6,114.96 | \$ (25,787.30) | \$ 31,902.26 | |
| Capital Contributions: | | | | |
| Contributions -primary government | 126,920.80 | - | 126,920.80 | |
| Contributions - other governments | 110,829.50 | - | 110,829.50 | |
| Contributions - State ECB grant | <u>169,227.73</u> | <u>148,020.00</u> | <u>21,207.73</u> | |
| Increase in Net Assets | \$ 413,092.99 | \$ 122,232.70 | \$ 290,860.29 | 237.96% |
| Net assets at July 1 | <u>900,957.39</u> | <u>778,724.69</u> | <u>122,232.70</u> | |
| Net assets at June 30 | <u>\$ 1,314,050.38</u> | <u>\$ 900,957.39</u> | <u>\$ 413,092.99</u> | 45.85% |

GENERAL TRENDS AND SIGNIFICANT EVENTS

FINANCIAL CONDITION

The ECD's financial condition improved during the year with adequate liquid assets and a reasonable level of unrestricted net assets at year-end. The current financial condition, staff capabilities, operating plans and upgrade plan to meet future emergency communication requirements are well balanced and under control.

Total assets increased \$476,653, or 49.09%, with a portion represented by an increase in capital assets. Net assets increased by \$413,093.

CAPITAL ASSETS

There was a net increase of \$97,487 in capital assets. New capital assets purchased during the year were a NexGen i3 controller/switch and six (6) NexGen-compatible workstations from Combix. Additional information concerning the District's capital assets can be found in Note C in the accompanying notes to the financial statements.

RESULTS OF OPERATIONS

White County Emergency Communication District has been involved with approximately 62,676 inbound telephone calls for 2011/2012. As a result of these calls, there were 37,658 CAD calls generated, up from 38,503 for 2010/2011. The district saw a total of 9,304 in 9-1-1 emergency telephone calls recorded with minimal concern from Citizens served and/or Emergency Service Personnel.

Expenses

Operating expenses, excluding depreciation, decreased by \$26,187 from 2011. This was a result of the following:

| | |
|-------------------------------|---------------------------|
| Salaries, wages, and benefits | \$ (18,437) |
| Contracted services | (10,011) |
| Supplies and materials | (3,647) |
| Other expenses | 5,908 |
| TOTAL | <u><u>\$ (26,187)</u></u> |

Depreciation expense of the ECD's system increased by \$19,694, or 37.84%.

911 Board Members
White County ECD
Page Seven

CONTACTING THE DISTRICT

The financial audit is designed to provide our Board, County Executive/County Commissioners, City Mayor/Board of Alderman, and regulatory agencies with a general overview of the ECD's finances. If you have any questions about this report or need additional information, you may contact the ECD at:

White County Emergency Communication District
PO Box 911
2677 Crossville Hwy
Sparta, TN 38583

BASIC FINANCIAL STATEMENTS

THE WHITE COUNTY 911 EMERGENCY COMMUNICATION DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS

CURRENT ASSETS

| | | |
|---|--|---------------|
| Cash and cash equivalents - Note B | | \$ 325,975.21 |
| Temporary cash investments - Note B | | 170,055.08 |
| Accounts receivable | | 17,921.43 |
| Due from State Emergency Communications Board | | 203,459.32 |
| Interest receivable | | 90.87 |
| Prepaid expenses | | 11,061.77 |

TOTAL CURRENT ASSETS \$ 728,563.68

CAPITAL ASSETS - Note C

| | | |
|-------------------------------|-----------------|------------|
| Capital assets | \$ 1,156,692.44 | |
| Less accumulated depreciation | (607,263.23) | |
| | \$ 549,429.21 | |
| Construction in Progress | 169,227.73 | 718,656.94 |

OTHER ASSETS - Utility deposits

350.00

\$ 1,447,570.62

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | | |
|------------------------------|--|-------------|
| Accounts payable - trade | | \$ 4,636.29 |
| Accounts payable - equipment | | 118,459.41 |
| Accrued payroll | | 6,475.59 |
| Compensated absences payable | | 3,948.95 |

TOTAL LIABILITIES \$ 133,520.24

NET ASSETS

| | | |
|---|---------------|--------------|
| Invested in capital assets, net of related debt | \$ 600,197.53 | |
| Restricted for capital activity | 169,227.73 | |
| Unrestricted net assets | 544,625.12 | 1,314,050.38 |

\$ 1,447,570.62

See the notes to financial statements.

THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
Year ended June 30, 2012

| | | |
|--|----|------------------------------------|
| Cash flows from operating activities: | | |
| Receipts from surcharges and other revenues | \$ | 458,953.54 |
| Payments to suppliers for goods and services | | (126,667.84) |
| Payments for payroll, taxes and related benefits | | <u>(407,093.17)</u> |
| NET CASH USED BY OPERATING ACTIVITIES | | \$ (74,807.47) |
| | | |
| Cash flows from noncapital financing activities - | | |
| Grants/reimbursements TECB | \$ | 22,000.00 |
| Intergovernmental revenues | | <u>125,000.00</u> |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | | 147,000.00 |
| | | |
| Cash flows from capital and related financing activities: | | |
| Acquisition of communication equipment | \$ | (102,641.12) |
| Intergovernmental Revenues | | 237,750.30 |
| Proceeds from sale of assets | | <u>3,500.00</u> |
| NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES | | 138,609.18 |
| | | |
| Cash flows from investing activities: | | |
| Interest from investments | \$ | 847.46 |
| Increase in investments | | <u>(847.46)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | | <u>-</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | \$ 210,801.71 |
| Cash and cash equivalents at July 1, 2011 | | <u>115,173.50</u> |
| CASH AND CASH EQUIVALENTS AT JUNE 30, 2012 | | <u><u>\$ 325,975.21</u></u> |

See the notes to financial statements.

THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
Year ended June 30, 2012

| | | |
|--|------------------|-----------------------|
| Cash flows from operating activities: | | |
| Operating loss | | \$ (146,055.79) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Provision for depreciation | \$ 71,740.81 | |
| Other revenues received | 934.20 | |
| Change in current assets and current liabilities: | | |
| Decrease in accounts receivable | 114.47 | |
| Decrease in other current assets | 1,485.92 | |
| Decrease in other current liabilities | (3,865.70) | |
| Increase in accounts payable | 838.62 | |
| | <u>71,248.32</u> | <u>71,248.32</u> |
| NET CASH USED BY OPERATING ACTIVITIES | | \$ (74,807.47) |

**THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

NOTE A - The White County 911 Emergency Communications District was established on January 21, 1991, by a resolution of the Board of Commissioners of White County, Tennessee, in accordance with the Emergency Communications District Law (9-1-1 Law), Tennessee Code Annotated, Section 7-86-101. The resolution was passed after the voters of White County approved the establishment of such a District on November 6, 1990. The jurisdiction of the District includes all of White County, Tennessee. The White County 911 Emergency Communications District has adopted the following accounting policies:

(1) Reporting Entity

The White County 911 Emergency Communications District is a component unit of White County, Tennessee. The Board of Directors of the District are appointed by White County's Board of Commissioners and the Mayor of the City of Sparta in the same proportion as each entity contributor to the funding of the District. Any short fall between the District's budgeted revenues and operating expenses are subsidized by White County and the City of Sparta, Tennessee, 75% and 25%, respectively. Also, the District must obtain the approval of the Board of Commissioners before the issuance of most debt instruments.

(2) Basis of Accounting

The District uses the accrual method of accounting to prepare its financial statements.

The District has elected under Government Accounting Standards Board (GASB) Statement Number 20 to adopt all Financial Accounting Standards Board pronouncements applicable to local governments and GASB pronouncements issued through November 30, 1989, and only GASB pronouncements issued by GASB after November 30, 1989.

The activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (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 WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2012**

NOTE A (Cont'd):

(2) Basis of Accounting (Con't)

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the balance sheet. Net assets (i.e. total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted for capital activity and debt service; and unrestricted components.

(3) Capital Assets

Capital assets in service are carried at cost and are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. Cost consists of all direct costs related to construction or acquisition of capital assets. In addition, the District capitalizes interest costs related to qualified expenditures for projects under development.

Maintenance and repairs, which do not significantly extend the value or life of the property or equipment, are expensed as incurred.

Capital policy for the District is items purchased or betterment, not repairs, in excess of \$2,500.00 and having a useful life of one year or more will be capitalized.

Assets are depreciated using the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|----------------------|--------------|
| Equipment | 3-10 |
| Building | 10-40 |
| Vehicles | 5-10 |
| Furniture & Fixtures | 10 |

**THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2012**

NOTE A (Cont'd):

(4) Provision for Uncollectible Accounts

Management has not made an allowance for uncollectible accounts receivable as losses, if any, are recognized on the direct charge-off method.

(5) Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with a maturity date of three months or less when purchased are considered to be cash equivalents.

(6) Compensated Absences

The District's policy for compensated absences is that employees must use accumulated vacation before the end of the calendar year in which the days are accrued. Vacation days not used before December 31 are not carried forward. The District accrues the portion of vacation days available at June 30.

(7) Restricted Assets

Restricted assets represent cash and investments maintained in accordance with bond resolutions, loan agreements, grant awards, and other resolutions and formal actions of the District or by agreement for the purpose of funding certain debt service payments, depreciation and contingency activities, and improvements and extensions to the system. Restricted assets are generally not available for current operating expenses. The District had no restricted assets at June 30, 2012.

**THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

June 30, 2012

NOTE A (Cont'd):

(8) Receivables and Revenues

Revenues from Ben Lomand Rural Telephone Cooperative, Inc. and Frontier Communications of the South, Inc. are received monthly. Revenues not received by June 30 are accrued.

Operating revenue consists of monies received from Ben Lomand and Frontier, shared wireless charge from the State Emergency Communications Board and other miscellaneous income. Non-operating revenue consists of interest income earned on cash investments, noncapital contributions from the primary government and other governments and noncapital grants from the State Emergency Communications Board.

(9) Expenses

Operating expenses consist of salaries, wages and the related employee benefits; the fees charged by the telephone companies; materials and supplies and other general and administrative expenses.

(10) Contributions

Contributions are recognized in the Statement of Revenues, Expenses, and Changes in Net Assets when earned. Contributions include capacity and support by other districts and federal, state and local grants in support of District operations.

**THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

June 30, 2012

NOTE A (Cont'd):

(11) Net Assets

Net assets contain the various net earnings from operating and non-operating revenues, expenses, and contributions of capital. Net assets are classified as invested in capital assets, net of related debt; restricted for capital activity and debt service; and unrestricted net assets. Invested in capital assets, net of related debt is all capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction or improvement of the assets; debt related to unspent proceeds or other restricted cash and investments is not included in this determination. Restricted for capital activity and debt service includes net assets restricted by external parties such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates. Unrestricted are the net assets that do not meet the definition of capital assets, net of related debt or restricted for capital activity and debt service.

(12) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may vary from those estimates.

(13) Budgets

Prior to July 1, the budget is approved by the commissioners and submitted to the state comptroller's office as required by state statute. The budget is prepared on the basis where current available funds must be sufficient to meet current expenditures.

The District's budgetary basis of accounting is consistent with generally accepted accounting principles.

**THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

June 30, 2012

NOTE B - BANK DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's deposit policy for custodial risk is as follows:

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool.

The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the 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. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the District.

**THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

June 30, 2012

NOTE C - Capital assets activity during the year was as follows:

| | <u>Balance at July 1</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance at June 30</u> |
|--|------------------------------|-----------------------|-----------------------|-------------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 67,261.31 | \$ - | \$ - | \$ 67,261.31 |
| Construction in progress | - | 169,227.73 | - | 169,227.73 |
| TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED | \$ 67,261.31 | \$ 169,227.73 | \$ - | \$ 236,489.04 |
| Capital Assets Being Depreciated: | | | | |
| Building | \$ 101,263.53 | \$ - | \$ - | \$ 101,263.53 |
| Equipment | 981,868.23 | - | 13,224.00 | 968,644.23 |
| Vehicles | 1,456.92 | - | 1,456.92 | - |
| Furniture and fixtures | 19,523.37 | - | - | 19,523.37 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED | \$ 1,104,112.05 | \$ - | \$ 14,680.92 | \$ 1,089,431.13 |
| Less Accumulated Depreciation for: | | | | |
| Building | (38,728.10) | (2,859.69) | - | (41,587.79) |
| Equipment | (499,166.63) | (67,503.69) | (13,224.00) | (553,446.32) |
| Vehicles | (1,456.92) | - | (1,456.92) | - |
| Furniture and fixtures | (10,851.69) | (1,377.43) | - | (12,229.12) |
| TOTAL ACCUMULATED DEPRECIATION | \$ (550,203.34) | \$ (71,740.81) | \$ (14,680.92) | \$ (607,263.23) |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED, Net | \$ 553,908.71 | \$ 97,486.92 | \$ - | \$ 718,656.94 |
| CAPITAL ASSETS, Net | \$ 621,170.02 | \$ 97,486.92 | \$ - | \$ 785,918.25 |

Depreciation expense was \$71,740.81.

Construction in progress at June 30, 2012 consists of upgrades to the Combix equipment. The upgrades were not completed and put into service until Fall 2012. The total anticipated cost of the upgrades is \$169,227.73.

**THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

June 30, 2012

NOTE D - 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, errors and omissions, and worker's compensation. The District also carries commercial insurance to cover the District's vehicles and commercial property. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE E - RETIREMENT PLAN

A. PLAN DESCRIPTION

Employees of The White 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 5 (five) years of service or at any age with 30 (thirty) 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 (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 5 (five) years of service and members joining prior to July 1, 1979 were vested after 4 (four) years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as The White County 911 Emergency Communications District participate in

**THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

June 30, 2012

NOTE E (Cont'd):

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, Tennessee 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

B. FUNDING POLICY

The White County 911 Emergency Communications District requires employees to contribute 5.0 percent of earnable compensation.

The White County 911 Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 8.83% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for The White County 911 Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

C. ANNUAL PENSION COST

For the year ended June 30, 2012, the White County 911 Emergency Communications District's annual pension cost of \$11,422 to TCRS was equal to The White 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), and (d) projected 3.5 percent annual

**THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2012**

NOTE E (Cont'd):

increase in the Social Security wage base. 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 White 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 6 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

| Fiscal Year <u>Ending</u> | Annual Pension Cost (APC) | Percentage of APC <u>Contributed</u> | Net Pension <u>Obligation</u> |
|---------------------------------|---------------------------------|--|-------------------------------------|
| 6-30-12 | \$11,422 | 100.00% | \$ 0.00 |
| 6-30-11 | \$13,003 | 100.00% | \$ 0.00 |
| 6-30-10 | \$ 9,536 | 100.00% | \$ 0.00 |

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 98.13% funded. The actuarial accrued liability for benefits was \$0.31 million, and the actuarial value of assets was \$0.30 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.01 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.11 million, and the ratio of the UAAL to the covered payroll was 5.30%.

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 the plan assets are increasing or decreasing over time relative to the AALs for benefits.

**THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONT'D)
June 30, 2012**

NOTE E (Cont'd):

Schedule of Funding Progress for the White County 911 Emergency Communications District, 88980

(Dollar amounts in thousands)

| <u>Actuarial</u> <u>Valuation</u> <u>Date</u> | <u>Actuarial</u> <u>Value of</u> <u>Plan Assets</u> <u>(a)</u> | <u>Actuarial</u> <u>Liability</u> <u>(AAL)</u> <u>-Entry Age</u> <u>(b)</u> | <u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u> | <u>Funded</u> <u>Ratio</u> <u>(a/b)</u> | <u>Annual</u> <u>Covered</u> <u>Payroll</u> <u>(c)</u> | <u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u> |
|---|---|---|--|---|---|--|
| July 1, 2011 | \$ 300 | \$ 306 | \$ 6 | 98.13% | \$ 108 | 5.30% |
| July 1, 2009 | 233 | 239 | 6 | 97.47% | 130 | 4.65% |
| July 1, 2007 | 216 | 224 | 8 | 96.43% | 133 | 6.02% |

NOTE F - LITIGATION

There were no lawsuits pending in which the District is involved which could result in any liability to the District.

REQUIRED SUPPLEMENTARY INFORMATION

**THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012**

Schedule of Funding Progress for the White County 911 Emergency Communications District, 88980

(Dollar amounts in thousands)

| <u>Actuarial</u> <u>Valuation</u> <u>Date</u> | <u>Actuarial</u> <u>Value of</u> <u>Plan Assets</u> <u>(a)</u> | <u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>-Entry Age</u> <u>(b)</u> | <u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u> | <u>Funded</u> <u>Ratio</u> <u>(a/b)</u> | <u>Annual</u> <u>Covered</u> <u>Payroll</u> <u>(c)</u> | <u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u> |
|---|---|---|--|---|---|--|
| July 1, 2011 | \$ 300 | \$ 306 | \$ 6 | 98.13% | \$ 108 | 5.30% |
| July 1, 2009 | 233 | 239 | 6 | 97.47% | 130 | 4.65% |
| July 1, 2007 | 216 | 224 | 8 | 96.43% | 133 | 6.02% |

OTHER FINANCIAL INFORMATION

THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL
Year ended June 30, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|--|--------------------------|--------------------------|--------------------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Cash receipts: | | | | |
| Emergency telephone service charge | \$ 200,000 | \$ 200,000 | \$ 228,560 | \$ 28,560 |
| TECB - shared wireless charge | 74,500 | 74,500 | 60,216 | (14,284) |
| TECB - operational funding | 127,000 | 127,000 | 169,267 | 42,267 |
| Interest income | - | - | 847 | 847 |
| Miscellaneous income | 300 | 300 | 584 | 284 |
| Rental income | 350 | 350 | 350 | - |
| Proceeds from disposal of capital assets | - | - | 3,500 | 3,500 |
| Contributions from the primary government | 209,110 | 209,110 | 226,921 | 17,811 |
| Contributions from other governments | 69,954 | 69,954 | 135,830 | 65,876 |
| State Emergency Communications Board grants | 140,000 | 140,000 | 22,000 | (118,000) |
| TOTAL CASH BASIS REVENUES | <u>\$ 821,214</u> | <u>\$ 821,214</u> | <u>\$ 848,074</u> | <u>\$ 26,860</u> |
| Cash expenditures: | | | | |
| Salaries and wages: | | | | |
| Director | \$ 42,512 | \$ 43,163 | \$ 43,163 | \$ (0) |
| Administrative | 30,500 | 15,750 | 15,750 | 0 |
| Telecommunications | 247,650 | 246,749 | 230,056 | 16,693 |
| Data processing personnel | 4,650 | 2,550 | 2,548 | 2 |
| Part-time personnel | 37,850 | 25,850 | 24,560 | 1,290 |
| Other salaries and wages | 15,965 | 15,965 | 14,561 | 1,404 |
| Overtime pay | 10,815 | 28,215 | 27,185 | 1,030 |
| Total salaries and wages | <u>\$ 389,942</u> | <u>\$ 378,242</u> | <u>\$ 357,823</u> | <u>\$ 20,419</u> |
| Employee benefits: | | | | |
| Social security | \$ 28,450 | \$ 28,450 | \$ 21,656 | \$ 6,794 |
| Medicare | 6,500 | 6,500 | 6,193 | 307 |
| Unemployment compensation | 3,000 | 3,525 | 5,054 | (1,529) |
| Retirement | 17,500 | 17,500 | 13,256 | 4,244 |
| Health insurance | 13,200 | 13,200 | 5,799 | 7,401 |
| Total employee benefits | <u>\$ 68,650</u> | <u>\$ 69,175</u> | <u>\$ 51,957</u> | <u>\$ 17,218</u> |
| Contracted services: | | | | |
| Accounting and auditing | \$ 6,450 | \$ 6,450 | \$ 6,200 | \$ 250 |
| Legal services | 13,000 | 13,000 | 6,225 | 6,775 |
| Fees paid to service providers | 10,000 | 14,032 | 14,287 | (255) |
| NCIC TBI TIES expenses | 9,100 | 9,100 | 8,247 | 853 |
| Mapping/data base consultant | 5,100 | 5,100 | 4,850 | 250 |
| Advertising | 750 | 750 | 591 | 159 |
| Pest control | 300 | 300 | 190 | 110 |
| Lease/rental - office equipment | 1,750 | 1,850 | 1,919 | (69) |
| Maintenance agreements | 17,857 | 33,276 | 20,767 | 12,509 |
| Maintenance and repairs - communications equipment | 180,000 | 173,029 | 103,241 | 69,788 |
| Maintenance and repairs - buildings and facilities | 30,000 | 3,126 | 5,114 | (1,988) |
| Maintenance and repairs - office equipment | 5,500 | - | - | - |

THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
BUDGET AND ACTUAL
Year ended June 30, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|-------------------------------------|-------------------------|--------------|---------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Maintenance and repairs - vehicles | - | - | - | - |
| Total contracted services | \$ 279,807 | \$ 260,013 | \$ 171,631 | \$ 88,382 |
| Supplies and materials: | | | | |
| Office supplies | \$ 3,000 | \$ 3,056 | \$ 3,056 | \$ (0) |
| Supplies and materials | 2,500 | 2,500 | 757 | 1,743 |
| Postage | 5,500 | 355 | 224 | 131 |
| Custodial supplies | 2,750 | 2,694 | 995 | 1,699 |
| Data processing supplies | 4,500 | 200 | 163 | 37 |
| Small equipment purchases | 3,500 | 3,500 | 2,458 | 1,042 |
| Uniforms and shirts | 1,750 | 50 | - | 50 |
| Utilities - electric | 9,600 | 11,500 | 11,034 | 466 |
| Utilities - gas | 3,000 | 500 | 419 | 81 |
| Utilities - water | 450 | 450 | 424 | 26 |
| Telephone | 9,000 | 9,000 | 7,180 | 1,820 |
| Total supplies and materials | 45,550 | 33,805 | 26,709 | 7,096 |
| Other charges: | | | | |
| Dues and memberships | \$ 500 | \$ 500 | \$ 450 | \$ 50 |
| Bank charges | 150 | 175 | 171 | 4 |
| Insurance | 14,115 | 16,454 | 13,981 | 2,473 |
| Service awards | 100 | 100 | - | 100 |
| Premiums on bonds | 1,250 | 1,700 | 1,382 | 318 |
| Training expenses | 12,000 | 11,400 | 9,583 | 1,817 |
| Travel | 2,500 | 600 | 554 | 46 |
| Public education | 1,500 | 200 | 130 | 70 |
| Licenses and fees | 3,600 | 800 | 789 | 11 |
| Employee testing | 750 | 750 | 525 | 225 |
| Legal notices | 800 | 800 | 741 | 60 |
| Capital purchases | - | 46,500 | - | 46,500 |
| Total other charges | \$ 37,265 | \$ 79,979 | \$ 28,305 | \$ 51,674 |
| TOTAL CASH BASIS EXPENSES | 821,214 | 821,214 | 636,425 | 184,789 |
| CASH BASIS NET INCOME (LOSS) | - | - | 211,649 | (157,928) |

RECONCILIATION OF CASH BASIS TO ACCRUAL BASIS

| | |
|---|--------------|
| Depreciation expense | \$ (71,741) |
| Capital purchases | 102,641 |
| Decrease in interest receivable | (111) |
| Increase in current receivables | 169,113 |
| Decrease in prepaid expenses | (1,486) |
| Increase in accounts payable | (839) |
| Increase in accrued payroll | (772) |
| Decrease in compensated absences | 4,638 |
| Net reconciliation cash to accrual | \$ 201,444 |
| Increase (decrease) in net assets (accrual) | \$ 413,093 |
| Net assets - beginning of period | \$ 900,957 |
| Net assets - end of period | \$ 1,314,050 |

THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF DETAILED EXPENSES
Year ended June 30, 2012

Salaries and Wages:

| | |
|---------------------------|----------------------|
| Director | \$ 41,542.29 |
| Administrative | 16,288.29 |
| Telecommunications | 226,178.65 |
| Data processing personnel | 2,547.84 |
| Part-time personnel | 24,698.57 |
| Holiday | 14,561.20 |
| Overtime pay | 27,579.93 |
| | <u>\$ 353,396.77</u> |

Employee Benefits:

| | |
|---------------------------|---------------------|
| Social security | \$ 22,800.28 |
| Medicare | 5,432.65 |
| Unemployment compensation | 5,115.51 |
| Retirement | 13,255.77 |
| Health insurance | 3,226.49 |
| | <u>\$ 49,830.70</u> |

Contracted Services:

| | |
|--|---------------------|
| Accounting and auditing services | \$ 6,200.00 |
| Legal services | 6,779.58 |
| Fees paid to service providers | 10,147.99 |
| NCIC/TBI/TIES expenses | 8,247.00 |
| Mapping/data base consultant | 5,225.00 |
| Advertising | 590.90 |
| Pest control | 190.00 |
| Lease/rental - office equipment | 1,922.12 |
| Maintenance agreements | 24,017.41 |
| Maintenance and repairs - communications equipment | 600.00 |
| Maintenance and repairs - buildings and facilities | 5,114.23 |
| Other contracted services | 4,115.55 |
| | <u>\$ 73,149.78</u> |

THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF DETAILED EXPENSES (CONTINUED)
Year ended June 30, 2012

Supplies and materials:

| | |
|---------------------------|--------------|
| Office supplies | \$ 3,115.16 |
| Supplies and materials | 516.80 |
| Postage | 272.10 |
| Custodial supplies | 931.13 |
| Data processing supplies | 404.12 |
| Small equipment purchases | 2,457.62 |
| Utilities - electric | 11,060.59 |
| Utilities - gas | 424.00 |
| Utilities - water | 421.73 |
| Telephone | 7,180.00 |
| | \$ 26,783.25 |

Other charges:

| | |
|----------------------|--------------|
| Dues and memberships | \$ 450.00 |
| Bank charges | 170.72 |
| Insurance | 15,363.00 |
| Training expenses | 10,236.68 |
| Travel | 554.30 |
| Public education | 129.95 |
| Licenses and fees | 789.00 |
| Employee testing | 575.00 |
| Legal notices | 790.70 |
| | \$ 29,059.35 |

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Sparta, Tennessee 38583

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
The White County 911 Emergency
Communications District
Sparta, Tennessee

I have audited the financial statements of White County 911 Emergency Communications District, a component unit of White County, Tennessee, as of and for the year ended June 30, 2012, and have issued my report thereon dated November 20, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

My 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 and recommendations, I identified a certain deficiency in internal control over financial reporting that I consider to be a material weakness.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of an entity's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency, described in the accompanying schedule of findings and recommendations as 12-1, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether White County 911 Emergency Communications District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclose 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 finding recommendations as Items 12-2 and 12-3.

White County 911 Emergency Communications District's responses to the findings identified in my audit are described in the accompanying schedule of findings and recommendations. I did not audit White County 911 Emergency Communications District's responses and, accordingly, I express no opinion on them.

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



Certified Public Accountant

Sparta, Tennessee
November 20, 2012

**THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2012

A: SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of The White County 911 Emergency Communications District.
2. One significant deficiency was disclosed during the audit of the financial statements. Item 12-1 is reported as a material weakness.
3. Two instances of noncompliance material to the financial statements were disclosed during the audit.
4. Audit findings relative to the financial statement audit of The White County 911 Emergency Communications District are reported in Part B of this Schedule.

B: FINDINGS

Item 12-1: Financial statement preparation (Material Weakness)

The financial statements and note disclosures are prepared by the auditor and presented to management for their approval. Management's ability to prepare the financial statements and note disclosures without material misstatements is questionable.

Recommendation: Management should consider hiring an individual with the proper training and qualifications to apply generally accepted accounting principles in the preparation of financial statements.

Management's response: We concur with the auditor's finding that preparation of the financial statements and note disclosures may be beyond our expertise. It is not practical nor would it be financially feasible for the District to hire qualified employees to oversee financial statement preparation. However, we believe that our knowledge and experience enables us to review the report and to understand it fully.

Item 12-2: Custody of financial assets (Compliance)

A board member has sole custody of District certificates of deposit which is in violation of TCA 7-86-124.

Recommendation: The District should transfer custody of certificates of deposit to an authorized individual not on the Board.

Management's response: We concur with the auditor's finding and recommendation.

**THE WHITE COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
June 30, 2012**

Item 12-3: Expenditures in Excess of the Budget (Compliance)

The District spent in excess of its budget in four categories which is a violation of TCA 7-86-120.

Recommendation: The District should monitor its expenditures more closely to conform to the adopted budget.

Management's response: We concur with the auditor's finding and recommendation. We will monitor our budgeting process more closely in the future.

Item 12-1 was mentioned in the prior year report as Item 11-1.