

OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

June 30, 2012



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**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
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June 30, 2012**

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**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATION DISTRICT  
INTRODUCTORY SECTION - UNAUDITED  
June 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Overton/Pickett County E-911  
Emergency Communications District  
Livingston, Tennessee

We have audited the accompanying financial statements of Overton/Pickett County E-911 Emergency Communications District of Overton County, Tennessee, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Overton/Pickett County E-911 Emergency Communications District of Overton County, Tennessee'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.

As discussed in Note 1, the financial statements present only the Overton/Pickett County E-911 Emergency Communications District and do not purport to, and do not, present fairly the financial position of Overton County, Tennessee, as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Overton/Pickett County E-911 Emergency Communications District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

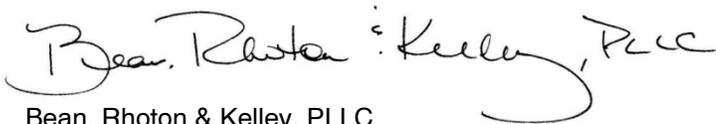
In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2012, on our consideration of the Overton/Pickett County E-911 Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions 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.

The District has not presented management's discussion and analysis. The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted by the United States of America.

Accounting principles generally accepted in the United States of America require that the funding progress on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an

essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Overton/Pickett County E-911 Emergency Communications District of Overton County, Tennessee. The introductory section and schedules listed as supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The information included as supplemental 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, appearing to read "Bean, Rhoton & Kelley, PLLC". The signature is written in dark ink and is positioned above the typed name and date.

Bean, Rhoton & Kelley, PLLC  
September 19, 2012

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2012**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 79,406.26
Certificate of deposit	114,347.36
Accounts receivable	7,917.25
Due from state ECB	144.00
Interest receivable	2,575.09
Prepaid expenses	3,032.00
Total current assets	<u>207,421.96</u>

Noncurrent assets:

Land	19,625.00
Property, plant & equipment, net of accumulated depreciation	584,147.64
Total noncurrent assets	<u>603,772.64</u>

Total assets	<u>\$ 811,194.60</u>
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**LIABILITIES**

Current liabilities:

Accounts payable	\$ 19,211.38
Accrued payroll	8,898.03
Payroll tax payable	273.69
Payroll deductions payable	375.87
Total current liabilities	<u>28,758.97</u>

Total liabilities	<u>\$ 28,758.97</u>
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**NET ASSETS**

Invested in capital assets	\$ 603,772.64
Unrestricted	178,662.99
Total net assets	<u>\$ 782,435.63</u>

The accompanying notes are an integral part of this statement.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
June 30, 2012**

**OPERATING REVENUES**

Emergency telephone service charges		\$	239,427.18	
State - Shared wireless charges			63,628.23	
State - Operational funding program			256,878.00	
Electrical permits			30,194.36	
Dispatching - UCEMC Emergency Calls			5,759.50	
Total operating revenues			<u>5,759.50</u>	\$ 595,887.27

**OPERATING EXPENSES**

Salaries and wages				
Director	\$	53,693.12		
Dispatcher/personnel		<u>368,885.21</u>		
Total salaries & wages				422,578.33
Employee benefits				
Social security		27,523.72		
Medicare		6,437.03		
Medical/life/dental insurance		90,181.73		
Unemployment compensation		1,446.33		
Retirement contributions		<u>18,653.26</u>		
Total employee benefits				144,242.07
Contracted services				
Addressing and mapping		15,887.22		
Fees paid to service providers		38,240.90		
Advertising		1,193.00		
Other services		8,550.00		
Maintenance agreements		2,600.00		
Pest control		450.00		
Lease/rental				
Office equipment		1,580.80		
Online software		58,000.00		
Maintenance/repairs				
Communications equipment		6,080.87		
Building and facilities		5,808.90		
Office equipment		1,363.68		
Vehicles		<u>5,209.65</u>		
Total contracted services				144,965.02
Supplies and material				
Office supplies		4,284.62		
Custodial supplies		6,843.08		
Postage		573.98		
Small equipment purchase		1,567.49		
Uniforms and shirts		4,521.14		

(continued)

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (continued)  
June 30, 2012**

Supplies and material (continued)		
<u>Utilities</u>		
Electricity	18,316.29	
Gas	652.35	
Water and sewer	1,056.59	
General telephone	40.37	
Cell phone	6,283.40	
Cable TV	760.80	
Internet	738.06	
Total supplies and materials		45,638.17
Other charges		
Board meeting expenses	2,896.56	
Dues and memberships	4,151.02	
Employee testing	335.50	
<u>Insurance</u>		
Liability	11,014.00	
Worker's compensation	3,937.68	
Vehicle	2,324.00	
Licenses and fees	1,665.00	
Premiums on surety bonds	1,103.00	
Public education	7,009.38	
Service awards	40.00	
Training expenses	16,080.16	
Electrical permits	26,727.00	
Other	16,086.17	
Total other charges		93,369.47
Depreciation		148,644.92
Total operating expense		999,437.98
Operating loss		(403,550.71)
NON-OPERATING REVENUES AND EXPENSES		
State grants/reimbursements		86,453.69
Interest income		2,923.06
Contributions from other governments		216,076.16
Miscellaneous revenues		1,893.00
Loss on sale of equipment		(122.48)
Interest expense		(100.83)
Total non-operating revenues and expenses		307,122.60
Change in net assets		(96,428.11)
Total net assets - beginning, as originally reported		883,406.08
Restatement - See Note 9		(4,542.34)
Total net assets - beginning, as restated		878,863.74
Total net assets - ending		<u>\$ 782,435.63</u>

The accompanying notes are an integral part of this statement.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2012**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 599,315.40	
Paid to/for employees for services	(587,519.28)	
Payments for good and services	<u>(273,285.98)</u>	
Net cash used by operating activities		\$ (261,489.86)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of equipment	(103,766.62)	
Miscellaneous revenues/(expenses)	<u>(2,649.10)</u>	
Net cash used by capital and related financing activities		(106,415.72)
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State grants/reimbursements	86,453.69	
Contributions from other governments	216,076.16	
Interest expense	<u>(100.83)</u>	
Net cash provided by non-capital financing activities		302,429.02
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2,940.14	
Invested in long term cash	<u>(2,734.51)</u>	
Net cash provided by investing activities		<u>205.63</u>
Net decrease in cash and cash equivalents		(65,270.93)
Balances - beginning of the year		<u>144,677.19</u>
Balances - end of the year		<u>\$ 79,406.26</u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (403,550.71)	
Interest expenses on credit cards used in operations		
Depreciation	148,644.92	
Change in assets and liabilities:		
Accounts receivable, net	3,428.13	
Accounts payable	(10,257.88)	
Prepaid expenses	<u>245.68</u>	
Net cash used by operating activities		<u>\$ (261,489.86)</u>

The accompanying notes are an integral part of this statement.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 1 – ORGANIZATION**

The Overton/Pickett County E-911 Emergency Communications District was established as a result of a merger between the Overton County Emergency Communications District and the Pickett County Emergency Communications District. The merger agreement was signed on January 22, 2002, for the purpose of improving the response of emergency services in Overton County and Pickett County, and to provide an enhanced 911 service for Overton and Pickett County citizens by acquiring equipment that enables emergency service providers to respond more rapidly and effectively due to increased speed in the transmission of critical information and improved reliability of address information.

The Overton/Pickett County E-911 Emergency Communications District is a component unit of Overton County, the commissioners of which appoint the nine members of the Board. The remaining four are appointed by the Pickett County Commission. The District must file a budget with Overton County each year. Any bond issued by the District is subject to approval by Overton County.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Statement Presentation

The Overton/Pickett county E-911 Emergency Communications District presents its financial statements on the accrual basis and according to Governmental Accounting Standards Board (GASB) Statement No. 20, follows pronouncements of the Financial Accounting Standards (FASB) issued before November 30, 1989 unless they conflict with or contradict GASB guidance. After November 30, 1989, the District follows GASB guidance only and does not follow any FASB guidance issued after that date.

Fixed Assets

Fixed assets are depreciated over their useful lives using the straight-line method over the following useful lives:

Building, Land & Building Improvements	10, 20 or 40 Years
Furniture & Fixtures	5, 7 Years
Equipment & Vehicles	3, 5, 7, or 10 Years

**NOTE 3 – CASH AND INVESTMENTS**

Cash Deposits

The District is authorized to invest in the following types of securities and indebtedness, in accordance with governing statutes:

- (1) Bonds, notes, treasury bills, or similar types of indebtedness to the United States.
- (2) Non-convertible debt including Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Student Loan Marketing Association.
- (3) Other obligations not specified above which provide guaranteed principal and interest by the United States or any of its agencies.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

NOTE 3 – CASH AND INVESTMENTS (continued)

- (4) Repurchase agreements, which involve obligations of the United States or its agencies, provided the term of the repurchase agreement does not extend beyond the maturity date of the obligation and the market value of the security exceeds the cost of the security.
- (5) Money market funds invested in any of the aforementioned securities.

The District's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial bank in the District's name. The carrying amount of total cash deposits for the year ended June 30, 2012, was \$193,753.62. The amount of deposits collateralized with securities held by pledging financial institution and federal depository insurance was \$193,753.62. Of this amount, \$79,406.26 was cash and cash equivalents and the remaining \$114,347.36 was held in certificates of deposits with original maturities greater than three months.

NOTE 4 – RISK MANAGEMENT

The Overton/Pickett County E-911 Emergency Communication District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District purchases commercial insurance for all claims and for all other risks of loss. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

NOTE 5 – FIXED ASSETS

The following is a schedule of fixed assets and depreciation at June 30, 2012:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Non-Depreciable Assets:				
Land	\$ 19,625.00	\$ 0.00	\$ 0.00	\$ 19,625.00
Construction in Progress	150,856.50	0.00	(150,856.50)	0.00
Depreciable Assets:				
Land Improvements	24,802.25	3,133.09	0.00	27,935.34
Building/Improvements	298,312.89	6,607.61	0.00	304,920.50
Furniture & Fixtures	75,542.03	2,948.89	(285.00)	78,205.92
Office Equipment	161,516.36	16,491.92	(209.97)	177,798.31
Communication Equipment	360,742.39	225,441.37	(15,709.39)	570,474.37
Vehicles	<u>70,229.00</u>	<u>0.00</u>	<u>0.00</u>	<u>70,229.00</u>
Total Assets	<u>1,161,626.42</u>	<u>254,622.88</u>	<u>(167,060.86)</u>	<u>1,249,188.44</u>
Accumulated Depreciation	<u>(512,852.76)</u>	<u>(148,644.92)</u>	<u>16,081.88</u>	<u>(645,415.80)</u>
Net Assets	<u>\$ 648,773.66</u>	<u>\$105,977.96</u>	<u>\$(150,978.98)</u>	<u>\$ 603,772.64</u>

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 6 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions.

**NOTE 7 – COMPENSATED ABSENCES**

Compensated absences are calculated for full-time employees for annual and sick leave. However, the sick leave does not vest; therefore, no liability has been recorded for sick leave. As of June 30, 2012, the District had no liability for accrued absences.

**NOTE 8 – FUNDING SOURCES**

Monthly fees provide funds for operations from service users in Overton and Pickett Counties. The service suppliers in Overton and Pickett Counties, Twin Lakes Telephone Cooperative, along with other smaller phone companies, collect the service fees and remits the funds to the District. The service supplier retains three percent of collections as an administration fee. The State of Tennessee remits to the District its share of wireless revenue.

**NOTE 9 – RESTATEMENT**

During 2012, certain matters were noted which required restatement of the prior year. The District's net assets were restated to correctly account for adjustments to accounts receivable and accounts payable, which pertained to prior fiscal years.

The following summarizes the aforementioned adjustment to net assets at July 1, 2011:

Net assets - beginning of year, as previously reported	\$ 883,406.08
Restatements, as discussed above	<u>(4,542.34)</u>
Net assets - beginning of year as restated	<u>\$ 878,863.74</u>

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 10 – BUDGETARY INFORMATION**

As stated in Note 1, the District must file a budget with Overton County each year, which must be legally adopted by the County. The budget is prepared on the accrual basis of accounting. Compliance with the legally adopted is required at the program level as well as the object level.

**NOTE 11– PENSION PLAN**

Plan Description

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

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

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

Funding Policy

**As of September 19, 2012, funding policy information for the year ending June 30, 2012, was not yet made available from the State of Tennessee, TCRS. Therefore, all amounts used were from the June 30, 2011 TCRS report.**

Overton/Pickett County Emergency Communications District requires employees to contribute 5.0 percent of earnable compensation.

Overton/Pickett County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 5.27% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Overton/Pickett County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

NOTE 11– PENSION PLAN (continued)

Annual Pension Cost

As of September 19, 2012, funding policy information for the year ending June 30, 2012, was not yet made available from the State of Tennessee, TCRS. Therefore, all amounts used were from the June 30, 2011 TCRS report.

For the year ending June 30, 2011, Overton/Pickett County Emergency Communications District's annual pension cost of \$19,853.00 to TCRS was equal to Overton/Pickett County 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 calculation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Overton/Pickett County 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 14 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 19,853	100.00%	\$ 0.00
June 30, 2010	\$ 18,558	100.00%	\$ 0.00
June 30, 2009	\$ 18,513	100.00%	\$ 0.00

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 56.54% percent funded. The actuarial accrued liability for benefits was \$0.3 million, and the actuarial value of assets was \$0.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.3 million, and the ratio of the UAAL to the covered payroll was 42.49% percent.

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

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

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

NOTE 11– PENSION 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)
July 1, 2009	\$181	\$321	\$139	56.54%	\$328	42.49%
July 1, 2007	\$117	\$253	\$136	46.25%	\$350	38.86%

**REQUIRED SUPPLEMENTARY INFORMATION**

**VERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATION DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2012**

**SCHEDULE OF FUNDING PROGRESS FOR VERTON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT – UNAUDITED**

As of September 19, 2012, funding policy information for the year ending June 30, 2012, was not yet made available from the State of Tennessee, TCRS. Therefore, all amounts used were from the June 30, 2011 TCRS report.

(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)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$181	\$321	\$139	56.54%	\$328	42.49%
July 1, 2007	\$117	\$253	\$136	46.25%	\$350	38.86%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into effect during the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

See Accompanying Independent Auditors' Report.

**SUPPLEMENTAL INFORMATION**

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
<b>Operating Revenues</b>				
Emergency telephone service charges	\$ 240,000.00	\$ 240,000.00	\$ 239,427.18	\$ (572.82)
State - Shared wireless charges	65,300.00	65,300.00	63,628.23	(1,671.77)
State - Operational funding program	324,000.00	255,000.00	256,878.00	1,878.00
Electrical permits	30,000.00	30,000.00	30,194.36	194.36
Dispatching - UCEMC Emergency Calls	5,600.00	5,600.00	5,759.50	159.50
Miscellaneous operating revenue	0.00	500.00	0.00	(500.00)
Total operating revenues	<u>664,900.00</u>	<u>596,400.00</u>	<u>595,887.27</u>	<u>(512.73)</u>
<b>Operating Expenses</b>				
<b>Salaries and wages</b>				
Director	53,693.00	53,693.00	53,693.12	(0.12)
Dispatchers/personnel	345,296.00	388,696.00	368,885.21	19,810.79
Total salaries and wages	<u>398,989.00</u>	<u>442,389.00</u>	<u>422,578.33</u>	<u>19,810.67</u>
<b>Employee benefits</b>				
Social security	19,548.00	28,048.00	27,523.72	524.28
Medicare	4,572.00	6,872.00	6,437.03	434.97
Medical/life/dental insurance	80,000.00	83,100.00	90,181.73	(7,081.73)
Unemployment compensation	0.00	1,700.00	1,446.33	253.67
Retirement contributions	14,700.00	19,200.00	18,653.26	546.74
Total employee benefits	<u>118,820.00</u>	<u>138,920.00</u>	<u>144,242.07</u>	<u>(5,322.07)</u>
<b>Contracted services</b>				
Subscription - reverse 911 system	0.00	3,700.00	0.00	3,700.00
Addressing and mapping	10,000.00	19,300.00	15,887.22	3,412.78
Fees paid to service providers	36,000.00	42,500.00	38,240.90	4,259.10
Advertising	3,000.00	2,000.00	1,193.00	807.00
Other services	10,600.00	8,550.00	8,550.00	0.00
Maintenance agreements	2,500.00	2,800.00	2,600.00	200.00
Pest control	750.00	750.00	450.00	300.00
<b>Lease/rental</b>				
Office equipment	2,000.00	2,400.00	1,580.80	819.20
Online software	0.00	0.00	58,000.00	(58,000.00)
<b>Maintenance/repairs</b>				
Communications equipment	10,000.00	8,500.00	6,080.87	2,419.13
Building and facilities	6,000.00	6,500.00	5,808.90	691.10
Office equipment	1,500.00	2,300.00	1,363.68	936.32
Vehicles	2,000.00	7,100.00	5,209.65	1,890.35
Total contracted services	<u>84,350.00</u>	<u>106,400.00</u>	<u>144,965.02</u>	<u>(38,565.02)</u>
<b>Supplies and materials</b>				
Office supplies	5,000.00	7,200.00	4,284.62	2,915.38
Custodial supplies	8,000.00	8,000.00	6,843.08	1,156.92
Postage	600.00	700.00	573.98	126.02
Small equipment purchase	1,200.00	2,300.00	1,567.49	732.51
Uniforms and shirts	5,000.00	4,700.00	4,521.14	178.86
<b>Utilities</b>				
Electricity	21,000.00	18,500.00	18,316.29	183.71
Gas	1,200.00	1,200.00	652.35	547.65
Water and sewer	800.00	1,300.00	1,056.59	243.41

(continued)

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -  
BUDGET AND ACTUAL (continued)  
For the Fiscal Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Supplies and materials (continued)				
General telephone	0.00	200.00	40.37	159.63
Cell phones	5,000.00	7,200.00	6,283.40	916.60
Cable TV	1,000.00	1,000.00	760.80	239.20
Internet	225.00	925.00	738.06	186.94
Total supplies and material	<u>49,025.00</u>	<u>53,225.00</u>	<u>45,638.17</u>	<u>7,586.83</u>
Other charges				
Board meeting expenses	4,000.00	4,000.00	2,896.56	1,103.44
Dues and memberships	3,000.00	5,000.00	4,151.02	848.98
Employee testing	1,500.00	1,500.00	335.50	1,164.50
<u>Insurance</u>				
Liability	13,000.00	13,700.00	11,014.00	2,686.00
Worker's compensation	4,000.00	4,400.00	3,937.68	462.32
Vehicle	0.00	0.00	2,324.00	(2,324.00)
Licenses and fees	500.00	2,300.00	1,665.00	635.00
Premiums on surety bonds	1,200.00	1,200.00	1,103.00	97.00
Public education	7,000.00	7,000.00	7,009.38	(9.38)
Service awards	3,000.00	1,000.00	40.00	960.00
Training expenses	5,000.00	13,100.00	16,080.16	(2,980.16)
Travel expenses	10,000.00	11,000.00	15,405.22	(4,405.22)
Electrical permits	28,000.00	28,300.00	26,727.00	1,573.00
Other	0.00	0.00	680.95	(680.95)
Total other charges	<u>80,200.00</u>	<u>92,500.00</u>	<u>93,369.47</u>	<u>(869.47)</u>
Depreciation	104,960.00	104,960.00	148,644.92	(43,684.92)
Total Operating Expenses	<u>836,344.00</u>	<u>938,394.00</u>	<u>999,437.98</u>	<u>(61,043.98)</u>
Operating Income/(loss)	<u>(171,444.00)</u>	<u>(341,994.00)</u>	<u>(403,550.71)</u>	<u>(61,556.71)</u>
Non-Operating Revenues (and expenses)				
State - Grants and reimbursements	20,000.00	88,000.00	86,453.69	(1,546.31)
Interest income	2,000.00	3,400.00	2,923.06	(476.94)
Contributions from other govts	153,000.00	171,000.00	216,076.16	45,076.16
Miscellaneous revenues	500.00	0.00	1,893.00	1,893.00
Loss on sale of equipment	0.00	0.00	(122.48)	(122.48)
Interest expense	0.00	0.00	(100.83)	(100.83)
Total Non-Operating Revenues and expenses	<u>175,500.00</u>	<u>262,400.00</u>	<u>307,122.60</u>	<u>44,722.60</u>
Change in net assets	<u>4,056.00</u>	<u>(79,594.00)</u>	<u>(96,428.11)</u>	<u>(16,834.11)</u>
Total net assets-beginning, as originally reported	883,406.08	883,406.08	883,406.08	0.00
Restatement - See Note 9	<u>(4,542.34)</u>	<u>(4,542.34)</u>	<u>(4,542.34)</u>	<u>0.00</u>
Total net assets-beginning, as restated	<u>878,863.74</u>	<u>878,863.74</u>	<u>878,863.74</u>	<u>0.00</u>
Total net assets-ending	<u>\$ 882,919.74</u>	<u>\$ 799,269.74</u>	<u>\$ 782,435.63</u>	<u>\$ (16,834.11)</u>

See Accompanying Independent Auditors' Report.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATION DISTRICT  
SUPPLEMENTAL INFORMATION  
Year Ended June 30, 2012**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

<u>Federal Grantor/ Pass - Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred</u>
<u>State Financial Assistance</u>						
Tennessee Emergency Communication Board	N/A	Training Reimbursement	\$ 0.00	\$ 40,000.00	\$ 40,000.00	\$ 0.00
Tennessee Emergency Communication Board	N/A	GIS Reimbursement	<u>0.00</u>	<u>46,453.69</u>	<u>46,453.69</u>	<u>0.00</u>
Total State Awards			<u>\$ 0.00</u>	<u>\$ 86,453.69</u>	<u>\$ 86,453.69</u>	<u>\$ 0.00</u>

Basis of Presentation:

Note 1: The Training Reimbursement Program is a cost recovery program for expenses relating to the cost of dispatchers.

See Accompanying Independent Auditors' Report.

# BEAN, RHOTON & KELLEY, PLLC

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## 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*

To the Board of Directors  
Overton/Pickett County E-911  
Emergency Communications District  
Livingston, Tennessee

We have audited the financial statements of the business-type activities of the Overton/Pickett County E-911 Emergency Communications District of Overton County, Tennessee, as of and for the year ended June 30, 2012, and have issued our report thereon dated September 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness [12-04].

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting [12-01, 12-02, 12-03, 12-07, 12-08, 12-09, 12-10, 12-11, 12-12, 12-13, and 12-14]. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

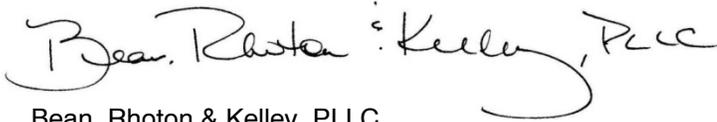
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Overton/Pickett County E-911 Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to

be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items [12-05, 12-06, and 12-15].

Overton/Pickett County E-911 Emergency Communications District of Overton County, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Overton/Pickett County E-911 Emergency Communications District of Overton County, Tennessee's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, the State of Tennessee, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bean, Rhoton & Kelley, PLLC". The signature is written in black ink and is positioned above the typed name of the firm.

Bean, Rhoton & Kelley, PLLC  
September 19, 2012

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2012**

- I. Summary of Auditors' Results
  - A. The June 30, 2012, Auditors' Report on the Financial Statements was unqualified.
  - B. A material weakness in internal control was disclosed by the audit and is discussed below in finding 12-04.
  - C. Significant deficiencies in internal control were disclosed by the audit and are discussed below in findings 12-01, 12-02, 12-03, 12-07, 12-08, 12-09, 12-10, 12-11, 12-12, 12-13, and 12-14.
  - D. Reportable conditions in compliance were disclosed by the audit and are discussed below in findings 12-05, 12-06, and 12-15.
- II. Findings Related to the Financial Statements, which are required to be reported in accordance with *Government Auditing Standards*.

(12-01) Segregation of duties

The District does not have a sufficient number of employees to provide the proper segregation of duties necessary for an effective internal control system.

Recommendation:

Due to the number of office employees working for the District, we do not believe a complete segregation of duties is possible that would eliminate all weaknesses in the District's accounting system. However, the District should consider a thorough study of the internal control aspect of the accounting system. Certain additional procedures and segregation of proper duties should increase the control over the assets.

District's response:

We concur with the auditor's finding and recommendation.

(12-02) Authorized signer

During confirmation of the District's bank accounts, it was discovered that one of the bank accounts has an authorized signer that is no longer on the Board.

Recommendation:

All bank and investment accounts should be reviewed at least annually to ensure only current Board members are authorized to withdraw funds.

District's Comment:

This problem will be corrected in the coming year.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
June 30, 2012**

(12-03) Controls over journal entries

During the course of the audit, it was noted that the District does not have a written policy to approve journal entries.

Recommendation:

The District should consider a written policy requiring proper supporting documentation and approval by at least one Board member prior to the posting of any journal entries or write offs in the general ledger.

District's Comment:

This problem will be corrected in the coming year.

(12-04) Petty Cash

Testing revealed that there were no controls over petty cash. In addition, employees were allowed to borrow money from petty cash as well as cash personal checks out of petty cash.

Recommendation:

Petty cash should be reconciled on a regular basis. All invoices from purchases made from petty cash should be retained and attached as supporting documentation to the check issued to reimburse petty cash. Invoices should be reviewed to ensure that all purchases were legitimate purchases applicable to District operations. There should be no instances of employee cashed checks or money borrowed from petty cash.

District's Comment:

A written policy is being drafted to make sure that all petty cash disbursements have proper documentation; employees outside of the District's bookkeeper are not allowed access to petty cash and those employees are no longer allowed to cash personal checks or borrow money from petty cash. In addition, the policy will state that the District will no longer accept cash as form of payment for electrical permits.

(12-05) Violation of the Three Day Banking Law

Deposits are not always being made within three days of receipt.

Recommendation:

Section 5-8-207, Tennessee Code Annotated requires District officials to deposit funds within three days after collection. In order to safeguard public monies, we recommend that all money collected be deposited promptly.

District's Comment:

This problem will be taken care of immediately.

(12-06) Paid Sales Tax

During the course of the audit, it was noted that sales tax was being paid on some expenditures.

Recommendation:

Vendors should be notified of the District's exempt status relative to sales and use tax. Reimbursements to employees should not include the sales tax paid by them.

District's Comment:

We will correct this problem.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
June 30, 2012**

(12-07) Accrued vacation policy

During the course of the audit, it was noted that the District's accrued vacation policy is not being followed.

Recommendation:

The District's written accrued vacation policy allows employees to earn one day of vacation per month worked after 30 days of employment. Currently, the employees are accruing all days at the beginning of the year.

District's Comment:

We will correct this problem.

(12-08) Internal controls over credit cards

During the year, internal controls over credit cards did not detect and deter certain findings such as an employee purchasing items with another employee's District credit card. Employees purchased personal items on the District's credit card and reimbursed the District for the purchase. There were instances of credit cards statements being paid late, incurring fees. In addition, a lack of supporting documentation was noted for related credit card purchases.

Recommendation:

The District should evaluate and update its internal controls over credit cards on a regular basis.

District's Response:

We will work to correct this problem.

(12-09) Internal controls over disbursements

The District does not have a written purchasing policy that outlines the purchasing function within the District. As a result, we noted at times a lack of purchase orders, approval of purchases by the appropriate level, bid requirements and supporting documentation. Internal controls over disbursements did not detect and deter the above findings.

Recommendation:

The District should evaluate and update its internal controls over disbursements and related purchasing policies on a regular basis.

District's Response:

We will work to correct this problem.

(12-10) Capitalization policy

The District does not have a written capitalization policy that outlines the Board's designated minimum threshold for capitalizing and depreciation assets rather than expensing them currently.

Recommendation:

A written capitalization policy would communicate the Board designated threshold amounts and requirements to the District's accounting function.

District's Response:

We will work to correct this problem.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
June 30, 2012**

(12-11) Travel policy

The District does not have a written travel policy that outlines the Board's requirements for reimbursement or approval for travel expenditures to employees for mandated travel by the District.

Recommendation:

A written travel policy would communicate to employees the Board designated requirements for reimbursement or approval prior to travel as well as the particular expenses and amounts that the Board deems reasonable, particularly in regards to meals.

District's Response:

We will work to correct this problem.

(12-12) Employee use of vehicles

The District does not have a written policy regarding employee personal use of District vehicles. In addition, it was noted that the personal use of District vehicles was not included in the employees' W-2.

Recommendation:

The District should establish a policy to cover employee use of District's vehicles. In addition, the District should include the personal use of District's vehicles in the employees' W-2.

District's Comment:

We will work to correct this problem.

(12-13) Internal controls over fuel supply

The District does not have a written policy that outlines the use of the District's fuel supply on premises. In addition, a fuel supply reconciliation process should be established to ensure that fuel is only consumed for official District business.

Recommendation:

The District should evaluate and update its internal controls over fuel supply and related reconciliation policies on a regular basis.

District's Response:

We will work to correct this problem.

(12-14) Internal controls over employees' time sheets

The District does not have a written policy that outlines the requirements of each employee's time reporting process. The lack of controls over the time reporting process during the year enabled employees to be paid for time sheets that were not approved by management, time sheets that were not signed by employees, and some time sheets that were not dated.

Recommendation:

The District should evaluate and update its internal controls over employees' time reporting on a regular basis.

District's Response:

We will work to correct this problem.

**OVERTON/PICKETT COUNTY E-911  
EMERGENCY COMMUNICATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES (continued)  
June 30, 2012**

(12-15) Budget

We noted that actual expenditures exceeded the amount appropriated in the budget.

Recommendation:

All expenditures should be authorized in either the original budget, an amendment to that budget, or a supplemental appropriation.

District's Comment:

The budget will be monitored better in the future.