

# **McMinn County Emergency Communications District**

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**Financial Statements with Supplementary Information  
Year Ended June 30, 2013**

with  
Independent Auditors' Report

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

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**HG&A ASSOCIATES, P.C.**

*Certified Public Accountants*

## Independent Auditors' Report

Board of Directors  
McMinn County Emergency Communications District  
Athens, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the McMinn County Emergency Communications District (the "District"), a component unit of McMinn County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Richard A. Goldstine • J. Wesley Edmondson • Tim Royster • Jenny C. Raines • Michelle Herrell

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## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the schedule of funding progress for the OPEB Plan on page 21 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013 on our consideration of the District's internal control over financial reporting and 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* in considering the District's internal control over financial reporting and compliance.

*HG & A Associates, P.C.*

Knoxville, Tennessee  
November 12, 2013

# **McMinn County Emergency Communications District**

1107 S. Congress Parkway, Athens, Tennessee 37303-2403  
(423) 745-7698 Fax (423) 744-1607

## **MANAGEMENT'S DISCUSSION and ANALYSIS**

Our discussion and analysis of the McMinn County Emergency Communications District's (the "District") financial performance provides an overview of the District's activities for the year ended June 30, 2013. Please read it in conjunction with the District's financial statements, as listed in the table of contents.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The statement of net position and the statement of revenues, expenses and changes in net position provide information about the District as a whole and present a long-term view of the District's finances.

### **THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

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

These two statements report the District's net position and changes in them. You can think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating.

**CONDENSED STATEMENT OF NET POSITION**

The analysis below focuses on the net position and changes in net position of the District.

	<u>2013</u>	<u>2012</u>
Current assets	\$ 1,618,472	1,341,395
Capital assets	<u>998,767</u>	<u>1,094,265</u>
Total Assets	\$ <u>2,617,239</u>	<u>2,435,660</u>
Current liabilities	\$ 23,982	20,125
Noncurrent liabilities	<u>4,568</u>	<u>3,516</u>
Total Liabilities	<u>28,550</u>	<u>23,641</u>
Net position:		
Invested in capital assets	998,767	1,094,265
Unrestricted	<u>1,589,922</u>	<u>1,317,754</u>
Total Net Position	<u>2,588,689</u>	<u>2,412,019</u>
Total Liabilities and Net Position	\$ <u>2,617,239</u>	<u>2,435,660</u>

The District's net position increased by approximately 7.3% during the current year while unrestricted net position, the part of the net position that can be used to finance day-to-day operations, increased by approximately 20.6%.

Revenues, Expenses and Changes in Net Position are as follows:

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	<u>2013</u>	<u>2012</u>
Revenues:		
Emergency telephone charges	\$ 159,808	224,710
Tennessee ECB shared wireless charges	128,463	121,658
Tennessee ECB operational funding	<u>188,916</u>	<u>188,875</u>
Total operating revenues	477,187	535,243
Total operating expenses	<u>1,115,032</u>	<u>1,034,945</u>
Operating loss	(637,845)	(499,702)
Non-operating revenues (expenses)	<u>814,515</u>	<u>667,337</u>
Change in net position	176,670	167,635
Net position – beginning of year	<u>2,412,019</u>	<u>2,244,384</u>
Net position – end of year	\$ <u>2,588,689</u>	<u>2,412,019</u>

The operations of the District (a component unit of McMinn County, Tennessee) are primarily funded as follows:

	<u>2013</u>	<u>2012</u>
Emergency telephone surcharges	12.4%	18.7%
State of Tennessee shared wireless fee	9.9%	10.1%
TECB operational funding	14.6%	15.7%
Contributions from McMinn County Government	23.6%	24.8%
TECB – grants and reimbursements	12.0%	11.8%
Contributions from other local governments and agencies	26.3%	17.4%
Interest income	0.1%	0.2%
Rental income	<u>1.1%</u>	<u>1.3%</u>
Total funding	<u>100.0%</u>	<u>100.0%</u>

Operational costs for the E911 Center were \$1,115,032 for the fiscal year ended June 30, 2013, which was approximately a 7.7% increase from the prior year. The primary increase in these operating costs was a full year of additional wages and related costs from adding the City of Athens dispatch services in mid-December 2011.

## **CAPITAL ASSETS**

At the fiscal year ended June 30, 2013, the District had \$998,767 in capital assets, a decrease of 8.7% from last year's balance of \$1,094,265. This change is related to the upgrades and additions in equipment and furnishings of \$45,241 (primarily in regard to the addition of a voice recorder system at a cost of \$37,800) less current year depreciation expense of \$140,739. Additional information concerning the capital assets of the District can be found on page 20 of this report.

## **DEBT**

At the fiscal year end, the District had no outstanding debt and does not anticipate the need for issuing any debt in the next fiscal year.

## **BUDGETS**

The original budget was approved in June 2012 for the fiscal year ended June 30, 2013. There were several changes to the original budget regarding expense accounts. The board approved these changes to distribute budgeted expenses from accounts which had fewer expenses than expected to accounts which had more expenses than originally expected.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The most significant factor impacting the District's future budget plans is the continuing decrease in revenues generated from landline telephones. The increased usage of cell phones by local residents in place of landlines has had a significant impact in the recent years. While this change from landlines to cell phones still generates revenues, only a portion of that revenue is being returned to each 911 district under the current system being used by the state for distributing shared wireless fees. The uncertainty of landline use and income from shared wireless fees has become a problem in estimating revenue for budget preparation. This issue and the recent consolidation of dispatch services with the City of Athens (as of December 2011) impact the future budget plans of the District.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens with a general view of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Executive Director of the McMinn County Emergency Communications District, 1107 S. Congress Parkway, Athens, Tennessee 37303-2403.

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Statement of Net Position

June 30, 2013

<u>Assets</u>	
Current assets:	
Cash	\$ 1,528,740
Accounts receivable	89,732
Total current assets	<u>1,618,472</u>
Capital assets:	
Land	99,557
Building and improvements	785,551
Equipment and furnishings	1,355,413
Vehicles	46,305
	<u>2,286,826</u>
Less: allowance for depreciation	1,288,059
	<u>998,767</u>
	<u>\$ 2,617,239</u>
<u>Liabilities and Net Position</u>	
Current liabilities:	
Accrued vacation pay	\$ 23,790
Due to McMinn County general fund	192
Total current liabilities	<u>23,982</u>
Other net postemployment benefit liability	4,568
Total liabilities	<u>28,550</u>
Net position:	
Invested in capital assets	998,767
Unrestricted	1,589,922
Total net position	<u>2,588,689</u>
	<u>\$ 2,617,239</u>

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

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2013

Operating revenue:	
Emergency telephone surcharge	\$ 159,808
State Emergency Communications Board - shared wireless charge	128,463
TECB - operational funding	188,916
	<u>477,187</u>
Operating expenses:	
Salaries and wages	612,294
Employee benefits	186,820
Contracted services	98,912
Supplies and materials	40,841
Depreciation	140,739
Other charges	35,426
Total operating expense	<u>1,115,032</u>
Operating loss	<u>(637,845)</u>
Nonoperating revenue (expense):	
Rent - office space	13,500
Interest income	1,875
Contributions from primary government	305,228
Contributions from other governments and agencies	339,403
TECB - grants and reimbursements	154,509
Total nonoperating revenue (expense)	<u>814,515</u>
Change in net position	176,670
Total net position - beginning of year	<u>2,412,019</u>
Total net position - end of year	<u><u>\$ 2,588,689</u></u>

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

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Statement of Cash Flows

For the Year Ended June 30, 2013

Cash flows from operating activities:	
Cash received from customers	\$ 454,197
Cash payments for goods and services	(175,180)
Cash payments for employees and related benefits	<u>(794,204)</u>
Net cash used by operating activities	<u>(515,187)</u>
Cash flows from noncapital financing activities:	
Contributions from primary government	305,228
Contributions from other governments and agencies	339,403
TECB - grants and reimbursements	<u>154,509</u>
Net cash provided by noncapital financing activities	<u>799,140</u>
Cash flows used by capital and related financing activities:	
Acquisition of equipment	<u>(45,241)</u>
Cash flows provided by investing activities:	
Interest received	<u>1,875</u>
Net increase in cash	240,587
Cash - beginning of the year	<u>1,288,153</u>
Cash - end of the year	<u><u>\$ 1,528,740</u></u>

(continued)

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Statement of Cash Flows (continued)

For the Year Ended June 30, 2013

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ <u>(637,845)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	140,739
Rent - office space	13,500
Changes in operating assets and liabilities:	
Increase in accounts receivable	(36,490)
Increase in accrued vacation pay	3,858
Increase in other net postemployment benefit liability	1,052
Decrease in due to McMinn County general fund	<u>(1)</u>
Total adjustments	<u>122,658</u>
Net cash used by operating activities	<u>\$ (515,187)</u>

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

# McMINN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements  
June 30, 2013

## 1. Summary of Significant Accounting Policies

### (a) Nature of Business

The McMinn County Emergency Communications District (the "District"), commonly referred to as E-911, was established to provide services under the Emergency Communications District Law, Tennessee Code Annotated, Chapter 86. The District was created by a resolution of the McMinn County Commissioners on December 19, 1988, after adoption by public referendum on November 8, 1988. Under its enabling legislation, the District is a municipality with powers of perpetual success but without any power to levy or collect taxes. Charges for services authorized shall not be considered as taxes. The powers of the District are vested in and exercised by a majority of the members of the board of directors of the District who are appointed by the District's primary government.

The District is a component unit of McMinn County, Tennessee and the financial statements are presented in both the District's separate financial report and within the McMinn County, Tennessee report. The District is considered a component unit of McMinn County, Tennessee as defined under the criteria set forth by the Governmental Accounting Standards Board because the District would be unable to issue debt without going through McMinn County, Tennessee.

### (b) Basis of Accounting

The financial statements of the District are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the statement of net position. The statement of revenue, expenses and change in net position present increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

Operating revenue is revenue that is generated from the primary operations of the District. All other revenues is reported as nonoperating revenue. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported in nonoperating expenses.

The District reports its financial activities under the applicable provisions of GASB Statement 34, *Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments*. This statement establishes standards for external reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net position groups:

(continued)

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Notes to Financial Statements  
June 30, 2013

1. Summary of Significant Accounting Policies (continued)

(b) Basis of Accounting (continued)

*Invested in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by any payables that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – This component includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District had no restricted net position as of June 30, 2013.

*Unrestricted* – This component of net position consists of net position that does not meet the definition of “restricted” or “invested in capital assets”.

(c) Receivables

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2013, no allowance for uncollectible accounts was considered necessary. The accounts receivable balance of \$89,732 represents amounts from (1) BellSouth and similar phone companies for the surcharges on McMinn County telephone services for the month of June 2013, (2) wireless commissions due from the State of Tennessee for May and June of 2013 and (3) reimbursements from TECB for Tier 1 recording system upgrades.

(d) Capital Assets

Capital assets, which consist of property and equipment, are defined as assets with an initial, individual cost of more than \$1,000 and an estimated life in excess of two years. Such assets are stated at historical cost, less accumulated depreciation computed on the straight-line method over their estimated useful lives as follows: buildings - forty years; equipment, furnishings and vehicles - five to seven years; building improvements - twenty-five years. When assets are retired or otherwise disposed of, the average cost is removed from the asset account and the accumulated depreciation account. Removal cost, less any salvage value, is charged or credited to the accumulated depreciation account. The cost of maintenance and repairs is charged to earnings as incurred.

(continued)

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Notes to Financial Statements  
June 30, 2013

1. Summary of Significant Accounting Policies (continued)

(e) Compensated Absences

The District has adopted the policy of McMinn County, Tennessee, which permits its employees to accumulate, in varying amounts, earned but unused vacation and sick pay benefits. Annual vacation time accrues at a rate of ½ day per month during the first twelve months of employment, one day per month for employment years two through ten and at one day and a half for each year thereafter. Employees cannot accumulate time in excess of 24 days.

All accumulated vacation time is paid to employees unless they are terminated for cause. Sick leave accrues at the rate of ½ day per month, during the first five years of continuous employment and increases to one day per month in the sixth year. There are no limits on the amount of sick leave that can be accumulated, but no payment is made to employees for unused sick leave unless they meet the requirements for retirement incentives. This retirement incentive is met when an employee meets the requirement under the Tennessee Consolidated Retirement System of a full service retirement. For those employees meeting that requirement payment for unused sick leave will be paid at the rate of one-half the minimum substitute teacher pay paid by the McMinn County Board of Education.

\$23,790 has been recorded as accrued vacation pay for this reporting period.

(f) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(g) Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

(h) Tax Status

Because the District was incorporated as a political subdivision under the Tennessee Emergency Communications District Law, it is exempt from federal income taxes.

(continued)

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Notes to Financial Statements  
June 30, 2013

1. Summary of Significant Accounting Policies (continued)

(i) Deferred Outflows/Inflows of Resources

During the year ended June 30, 2013, the District adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The objective of the statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2013.

2. Budgetary Control

The District's Board approves the annual budget prepared by the E-911 Director based upon anticipated revenues and estimated operating expenses. In accordance with the level of control established by the Tennessee Comptroller of the Treasury, operating expenses may not exceed the amount budgeted in each line item. The District does not budget depreciation, as its intent is to budget the use of anticipated, available resources. It does, however, budget for acquisitions of certain capital assets. Budgeted expenses may be amended, as needed to meet changing needs.

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Notes to Financial Statements  
June 30, 2013

3. Cash

In September 1989, the members of the District's board of directors voted to have the McMinn County, Tennessee finance department handle the accounting functions of the District. Therefore, the McMinn County Trustee collects funds for the District and invests those funds to maximize interest earnings, less the appropriate Trustee commission for collection of the funds. The McMinn County office of the Director of Finance is responsible for the accounting function of the District's activities.

Custodial credit risk for the District's deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2013, the Trustee maintains the \$1,528,740 balance in commingled accounts with other McMinn County funds. As required by state statutes, the Trustee is following the District's policy requiring financial institutions holding its deposits to be members of the Tennessee Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. At June 30, 2013 none of the District's funds held by the Trustee was exposed to credit risk.

4. Revenue

The District's primary sources of revenues are from surcharges imposed on McMinn County telephone services (net of administrative fees paid to the telephone companies) and from surcharges imposed on cell phone services, which are collected and disbursed by the Tennessee Emergency Communications Board.

5. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to minimize its costs, the District insures itself against potential losses associated with these risks through the purchase of commercial insurance. There were no significant reductions in limits of liability or coverage of insurance policies in effect during 2013 from those in effect in 2012 and 2011. In addition, there have been no losses in excess of insurance coverage during the past three fiscal years.

## McMINN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements  
June 30, 2013

### 6. Employee Retirement Plan

#### Plan Description

Certain employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The participation in this Plan is through the District's limited association with McMinn County government.

TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as McMinn County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the 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, Annual Pension Cost, Trend Information and Funding Status and Funding Progress***

Information for these areas is not specifically available for the District but is included within the aggregated information for McMinn County Government as a whole. Please find this information for McMinn County within its comprehensive annual financial report for the year ended June 30, 2013.

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Notes to Financial Statements  
June 30, 2013

7. Other Postemployment Benefits (OPEB)

In addition to the pension benefits described above, certain District employees are also eligible to participate in the McMinn County's single-employer defined benefit healthcare plan. The County has adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. That statement addresses how governments should account for and report their costs and obligations related to postemployment healthcare and other pension and other nonpension benefits. Below is the information in regards to the District's participation in the Plan.

Plan Description

In addition to providing pension benefits, the County provides a portion of the health care benefits for certain retired employees under a single-employer defined benefit healthcare plan. Those with 30 years of service with 10 of those years with McMinn County are eligible for a reimbursement of \$2,000 for 5 years or until they are Medicare eligible, if earlier. In addition, a retiree must have met the age requirement of 55 years with 10 years of service with McMinn County to be eligible for the County's health insurance until they are Medicare eligible and must pay 100 percent of the premium. A stand-alone financial report for that plan is not issued.

The County is reimbursed by the retirees using a formula based on date of retirement, years of service, and the County's computed cost for active employees. During the fiscal year ended June 30, 2013, the County made no contributions for health care benefits. The County will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the County will not fund the remaining portion of the annual required contribution.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Based on the last available actuarial valuation at July 1, 2012, the following table shows the components of the District's portion of the County's annual OPEB cost, the amounts contributed to the Plan, and changes in the net OPEB obligation.

(continued)

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Notes to Financial Statements  
June 30, 2013

7. Other Postemployment Benefits (OPEB) (continued)

Annual required contribution	\$	1,069
Interest on net OPEB obligation		141
Adjustment to annual required contribution		<u>(158)</u>
Annual OPEB cost		1,052
Contributions made		<u>-</u>
Increase in net OPEB obligation		1,052
Net OPEB obligation – beginning of year		<u>3,516</u>
Net OPEB obligation – end of year	\$	<u><u>4,568</u></u>

The District's portion of the County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last available valuation was as follows:

Annual OPEB cost	\$	1,069
Percentage of annual OPEB cost contributed		0.00%
Net OPEB obligation	\$	4,568

Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the County's Plan was 0% funded. The actuarial accrued liability for benefits was \$7,002, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,002. The County will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the County will not fund the remaining portion of the annual required contribution.

(continued)

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Notes to Financial Statements  
June 30, 2013

7. Other Postemployment Benefits (OPEB) (continued)

Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends.

Amounts determined regarding the funded status of the Plan and the annual required contributions of the County and Plan members are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over the time relative to the actuarial accrued liabilities.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit costs between the County and Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 valuation for the Plan, the entry age normal cost method and a funding rate of 4 percent was used. Other key assumptions were: 2012 trend rates – medical of 9%, ultimate medical cost trend rate of 5%, projected annual increase in payroll of 2.5%, UAAL amortization period of 30 years and 2020 as the year of ultimate medical trend rate is reached.

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Notes to Financial Statements  
June 30, 2013

8. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

<u>Cost</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance June 30, 2013</u>
Land	\$ 99,557	-	-	99,557
Buildings and improvements	785,551	-	-	785,551
Equipment and furnishings	1,310,172	45,241	-	1,355,413
Vehicles	46,305	-	-	46,305
	<u>\$ 2,241,585</u>	<u>45,241</u>	<u>-</u>	<u>2,286,826</u>
 <u>Accumulated Depreciation</u>				
Buildings and improvements	\$ 221,491	24,302	-	245,793
Equipment and furnishings	888,230	111,688	-	999,918
Vehicles	37,599	4,749	-	42,348
	<u>\$ 1,147,320</u>	<u>140,739</u>	<u>-</u>	<u>1,288,059</u>

9. Subsequent Events

The District has evaluated events and transactions subsequent to the balance sheet date through November 12, 2013, which is the date the financial statements were available to be issued.

## **Required Supplementary Information**

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**  
Required Supplementary Information  
June 30, 2013

Schedule of Funding Progress for the OPEB Plan

Actuarial Valuation Date July 1	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)
2012	\$ -	7,002	7,002	0.00%	\$ Not available	Not available
2010	-	6,087	6,087	0.00%	Not available	Not available

(only actuarial evaluations completed to date for the District)

## **Supplementary Information**

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**  
Schedule of Revenues and Expenses Compared to Budget  
For the Year Ended June 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Emergency telephone surcharges	\$ 190,000	159,808	(30,192)
State Emergency Communications			
Board - shared wireless charge	146,000	128,463	(17,537)
TECB - operational funding	167,000	188,916	21,916
	<u>503,000</u>	<u>477,187</u>	<u>(25,813)</u>
Operating expenses:			
Salaries and wages:			
Director	64,395	64,344	51
Administrative personnel	50,000	49,127	873
Dispatchers	430,000	427,955	2,045
Overtime pay	22,500	22,318	182
Part-time personnel	37,100	37,058	42
Vacation and holiday pay	12,500	11,492	1,008
	<u>616,495</u>	<u>612,294</u>	<u>4,201</u>
Employee benefits:			
Social security and medicare	45,000	44,457	543
Life insurance	2,000	1,388	612
Medical insurance	105,000	104,687	313
Unemployment compensation	4,000	3,370	630
Retirement contributions	36,900	32,918	3,982
	<u>192,900</u>	<u>186,820</u>	<u>6,080</u>
Contracted services:			
Addressing/mapping	3,000	2,551	449
Advertising	2,500	2,128	372
Audit services	6,000	6,000	-
Fees paid to service providers	40,000	35,270	4,730
Janitorial services	6,000	5,240	760
Legal services	1,800	1,300	500
Maintenance agreements	25,000	19,769	5,231
NCIC/TBI/TIES	10,000	8,322	1,678
Consultant fees	3,000	-	3,000
Pest control	400	300	100
Lease/rental:			
Office equipment	1,500	1,127	373

(continued)

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget (continued)

For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Contracted services (continued):			
Maintenance and repairs:			
Communications equipment	\$ 3,450	3,425	25
Facilities	10,300	10,287	13
Office equipment	150	-	150
Vehicles	1,000	172	828
Fuel	3,500	3,021	479
	<u>117,600</u>	<u>98,912</u>	<u>18,688</u>
Supplies and materials:			
Office	4,000	2,619	1,381
Custodial	2,500	2,455	45
Data processing	500	354	146
Postage	300	143	157
Small equipment purchases	50,000	49,046	954
Uniforms	2,100	2,029	71
Utilities:			
Electric	20,000	17,617	2,383
Gas	1,500	855	645
Water	1,000	909	91
General telephone	8,000	7,838	162
Cellular phone	2,500	2,217	283
	<u>92,400</u>	<u>86,082</u>	<u>6,318</u>
Other charges:			
Bank charges	12,000	11,290	710
Board meetings	2,000	983	1,017
Dues and memberships	1,000	536	464
Employee testing	500	345	155
Insurance:			
Workers' compensation	1,500	1,336	164
Liability	12,000	10,947	1,053
Legal notices	250	150	100
Training	3,000	2,570	430
Travel	3,000	2,793	207
Other	5,000	4,476	524
	<u>40,250</u>	<u>35,426</u>	<u>4,824</u>
Total operating expenses	<u>1,059,645</u>	<u>1,019,534</u>	<u>40,111</u>
Excess of operating expenses over operating revenues	<u>(556,645)</u>	<u>(542,347)</u>	<u>14,298</u>

(continued)

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget (continued)

For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Nonoperating revenues:			
Rent - office space	\$ 15,000	13,500	(1,500)
Interest	4,084	1,875	(2,209)
Contributions from primary government	297,783	305,228	7,445
Contributions from other governments and agencies	317,098	339,403	22,305
TECB - grants and reimbursements	-	154,509	154,509
Total nonoperating revenues	<u>633,965</u>	<u>814,515</u>	<u>180,550</u>
Excess of revenues over (under) expenses	\$ <u>77,320</u>	272,168	<u>194,848</u>
Adjustments to agree with financial statement - "Statement of Revenue, Expenses and Changes in Net Position":			
Expenses unbudgeted:			
Depreciation		(140,739)	
Capital equipment payments		45,241	
Change in net position		<u>\$ 176,670</u>	

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Schedule of Insurance in Force

June 30, 2013

<u>Description</u>	<u>Coverage</u>
Property:	
Risks of Direct Physical Loss Subject to Normal Conditions and Exclusions:	
Business personal property - \$250 property deductible; \$1,000 earthquake and flood deductible:	
Real property - Athens, TN	\$ 693,529 limit
Real property - Etowah, TN (Guaranteed replacement cost)	325,164 limit
Personal property - Athens, TN	584,929 limit
Personal property - Etowah, TN (Replacement cost)	350,957 limit
Software	250,000 limit
Money and securities	10,000 limit
Extra expense	12 months actual loss sustained
Loss of income	12 months actual loss sustained
Automobile Liability:	
Liability - any auto	1,000,000
Uninsured/underinsured motorists	300,000
Medical payments	5,000
General Liability:	
General aggregate limit	2,000,000
Products/completed operations aggregate limit	2,000,000
Personal and advertising injury each occurrence limit	1,000,000
Fire damage legal liability (any one fire)	1,000,000
Each occurrence or medical incident limit	1,000,000
Medical expense limit (any one person)	5,000
Management Liability:	
Each claim limit (injunctive relief) (each wrongful act)	25,000 1,000,000
Annual aggregate limit	2,000,000

**McMINN COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

Roster of Officials

June 30, 2013

**Board of Directors**

Mike Jones - Chairman  
Joe Riley - Vice Chairman  
Murry Willis - Secretary  
Russ Duggan - Treasurer  
Scott Curtis  
Mark Lowry  
Harold Masengil  
Chris Webb

**Management**

Marvin Kelley - E911 Director



**HG&A ASSOCIATES, P.C.**

*Certified Public Accountants*

Independent Auditors' 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*

The Board of Directors  
McMinn County Emergency Communications District  
Athens, Tennessee

We have audited, in accordance with the 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, the financial statements of the McMinn County Emergency Communications District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Richard A. Goldstine • J. Wesley Edmondson • Tim Royster • Jenny C. Raines • Michelle Herrell

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HG & A Associates, P.C.

Knoxville, Tennessee  
November 12, 2013