

**SCOTT COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**Huntsville, Tennessee**

**Financial Statements**

**June 30, 2013**

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June 30, 2013

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# **Introductory Section**

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
ROSTER OF THE BOARD OF DIRECTORS  
June 30, 2013**

<b>Name</b>	<b>Position</b>
Wayne Shoemaker	Part-Time Director
Robert Melhorn	Chairman
Charlie May	Vice-Chairman
Hertis Phillips	Member
Willie Boyatt	Member
Roger Bridges	Member
Ted Carson	Member
Larry Lay	Member
Mike Cross	Member

## **Management's Discussion and Analysis**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of The Scott County Emergency Communications District financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013.

### **FINANCIAL HIGHLIGHTS**

The District's net position increased by \$275,864 as a result of this year's operations. All of this increase is treated as business-type increases.

During the year, the District had revenues of \$ 531,775, interest income of \$ 6,002, and expenses of \$ 261,913. Prior year revenues were \$ 327,479, a difference of \$ 204,296, was due mainly from a reimbursement for a new communication system. Interest income decreased by \$ 2,999 and expenses increased from \$ 233,824 to \$ 261,913, a difference of \$ 28,089.

We believe that this profit of \$ 275,864 will be necessary for additional equipment and upgrades during the next few years.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position, the Statement of Revenue and Expenses and Change in Net Position, and the Statement of Cash Flows. The Statement of Revenue and Expenses - Actual and Budget shows the budget and budget amendments and variances for the year.

### **REPORTING THE DISTRICT AS A WHOLE**

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

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.

The District receives a fee that the local telephone company adds to the phone bills of the customers within the district and passes on to the district. In addition the State of Tennessee Emergency Communications collects funds from wireless customers through the various wireless vendors and shares these funds with the local emergency communications districts in the form of commissions and grants.

### **THE DISTRICT AS A WHOLE**

The District's net position increased from a year ago, increasing from \$ 1,174,635 to \$ 1,450,499. This business-type activity shows a 23.49% increase for the year.

The District's total revenues increased by 59.82 % over the prior year. This increase is primarily the result of the equipment reimbursement grant and an decrease in interest income.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The Budget was amended during the year.

**Table 1**  
**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**Balance Sheets**  
**June 30, 2013**

	2012	2013	Increase (Decrease)
<b>Assets</b>			
<b>Current Assets</b>			
Cash in Bank	\$ 223,993	\$ 390,521	\$ 166,528
Investments	854,532	860,291	5,759
Accounts Receivable	7,916	8,034	118
Prepaid Insurance	4,709	4,996	287
<b>Total Current Assets</b>	<u>1,091,150</u>	<u>1,263,842</u>	<u>172,692</u>
<b>Fixed Assets</b>			
Equipment	480,726	381,461	(99,265)
Less Accumulated Depreciation	<u>(382,132)</u>	<u>(177,106)</u>	<u>205,026</u>
<b>Net Fixed Assets</b>	<u>98,594</u>	<u>204,355</u>	<u>105,761</u>
<b>Total Assets</b>	<u><b>1,189,744</b></u>	<u><b>1,468,197</b></u>	<u><b>278,453</b></u>
<b>Liabilities</b>			
<b>Current Liabilities</b>	<b>15,109</b>	<b>17,698</b>	<b>2,589</b>
<b>Net Position</b>	<u><b>1,174,635</b></u>	<u><b>1,450,499</b></u>	<u><b>275,864</b></u>
<b>Total Liabilities &amp; Net Position</b>	<u><b>1,189,744</b></u>	<u><b>1,468,197</b></u>	<u><b>278,453</b></u>

**Table II**

	2012	2013	Increase (Decrease)
<b>Income Statement</b> June 30, 2013			
<b>Revenue</b>			
Telephone Service Charges	91,647	87,734	(3,913)
Shared Wireless Charges	52,341	92,107	39,766
Operational Funding	160,055	142,860	(17,195)
Other Revenue	23,435	209,074	185,639
Interest Income	9,001	6,002	(2,999)
<b>Total Revenue</b>	<u><b>336,479</b></u>	<u><b>537,777</b></u>	<u><b>201,298</b></u>
<b>Expenses</b>			
Salaries and Wages	58,040	59,521	1,481
Benefits	23,014	26,536	3,522
Contracted Services	98,074	93,513	(4,561)
Maintenance and Repairs	4,852	2,399	(2,453)
Supplies and Materials	3,107	3,649	542
Utilities	12,255	12,567	312
Other Charges	12,189	17,781	5,592
Depreciation	22,292	45,947	23,655
<b>Total Expenses</b>	<u><b>233,823</b></u>	<u><b>261,913</b></u>	<u><b>28,090</b></u>
<b>Increase (Decrease) in Net Position</b>	<u><b>102,656</b></u>	<u><b>275,864</b></u>	<u><b>173,208</b></u>
<b>Net Position - Beginning</b>	<u>1,071,979</u>	<u>1,174,635</u>	<u>102,656</u>
<b>Net Position - Ending</b>	<u><b>\$ 1,174,635</b></u>	<u><b>\$ 1,450,499</b></u>	<u><b>\$ 275,864</b></u>

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2013, the District had \$ 381,461, invested in capital assets, automobiles, office equipment, communications and mapping equipment.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's appointed officials considered many factors when setting the fiscal-year 2013 budget. In the case of an emergency communications district the revenue is estimated from local telephone use, funds available from the State of Tennessee Emergency Communications Board and interest income. From this the wage scale of employees can be determined along with the level of benefits that can be purchased for their benefit. Capital expenditures are planned along with all other goods and services necessary to run the district's operation.

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

This financial report is designed to provide our citizens, taxpayers, customers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's office at Huntsville, Tennessee or call our office at 423-663-4836.

## **Financial Section**

# Dennis E. Jeffers

Certified Public Accountant

A Member of the American Institute of Certified Public Accountants

18707 North Alberta Street  
Oneida, Tennessee 37841  
(423) 569-6969

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Scott County Emergency Communications District  
Huntsville, Tennessee

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

We have audited the accompanying financial statements of the Scott County Emergency Communications District, a component unit of Scott 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 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 opinions.

## ***Opinions***

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

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 - 4 and page 17 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 opinions on the financial statements that collectively comprise the Scott County Emergency Communications District's basic financial statements. The introductory section and miscellaneous section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state awards and the supplemental information are presented for purposes of additional analysis, and is also not a required part of the basic financial statements.

The schedule of expenditures of state awards and the supplemental information are the responsibility of management and were derived from and related 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 States of America. In our opinion, the schedule of expenditures of state awards are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and miscellaneous sections have 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013, on our consideration of the Scott County Emergency Communications District 's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Dennis E Jeffers, CPA, P.C.*

Oneida, Tennessee  
November 22, 2013

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2013**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 390,521
Investment (certificate of deposit with 12 month maturity)	860,291
Accounts Receivable	8,034
Prepaid Insurance	<u>4,996</u>

**Total Current Assets** 1,263,842

**Noncurrent Assets**

Vehicles	24,500
Office Equipment	116,102
Communications Equipment	<u>240,859</u>

**Total Capital Assets** 381,461  
**Accumulated Depreciation** (177,106)  
**Capital Assets Net** 204,355

**TOTAL ASSETS** 1,468,197

**LIABILITIES**

Compensated Absences	16,414
Payroll Liabilities	<u>1,284</u>

**TOTAL LIABILITIES** 17,698

**NET POSITION**

Invested in Capital Assets	204,355
Unrestricted	<u>1,246,144</u>
<b>TOTAL NET POSITION</b>	<u><u>1,450,499</u></u>

**TOTAL LIABILITIES AND NET POSITION** \$ 1,468,197

*The Notes to the Financial Statements are an Integral Part of These Statements.*

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2013**

**OPERATING REVENUE**

Emergency Telephone Service Charges	\$ 87,734
Tennessee Emergency Communications Board-State Wireless Charge	92,107
Tennessee Emergency Communications Board -Operational Funding	<u>142,860</u>
<b>TOTAL OPERATING REVENUE</b>	<b><u>322,701</u></b>

**OPERATING EXPENSES**

**Salaries and Wages**

Director	16,275
Administrative Personnel	27,821
Other Wages Mapping	10,000
Overtime Pay	<u>5,425</u>
	<b><u>59,521</u></b>

**Employee Benefits**

Medical Insurance	18,198
Social Security	3,690
Medicare	863
Retirement	1,312
Compensated Absences	<u>2,473</u>
	<b><u>26,536</u></b>

**Contracted Services**

Advertising	285
Audit Services	4,000
Other Contracted Services Legal	4,200
Other Contracted Services	78,272
Fees Paid to Service Providers	<u>6,756</u>
	<b><u>93,513</u></b>

**Maintenance and Repairs**

Office Equipment	1,589
Vehicles	<u>810</u>
	<b><u>2,399</u></b>

**Supplies and Materials**

Office Supplies	2,865
Uniforms	600
Postage	<u>184</u>
	<b><u>3,649</u></b>

**Utilities**

Wireless Line Charges	5,435
Gas	69
Telephone	<u>7,063</u>
	<b><u>\$ 12,567</u></b>

*The Notes to Financial Statements are an Integral Part of These Statements.*

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Position (Continued)**  
**For the Year Ended June 30, 2013**

<b>Other Charges</b>	
Insurance Liability	\$ 8,731
Dues and Memberships	3,189
Travel	4,035
Training	1,550
Board Meeting	180
Other Charges	96
	<u>17,781</u>
<b>Depreciation</b>	<u>45,947</u>
<b>Total Operating Expenses</b>	<u>261,913</u>
<b>Operating Income (Loss)</b>	<b>60,788</b>
<b>Non-Operating Revenue (Expenses)</b>	
Reimbursement	199,074
Emergency Communications Board Mapping Grant	10,000
Interest Income	6,002
<b>Total Non-Operating Revenue (Expenses)</b>	<u>215,076</u>
<b>Increase (Decrease) in Net Position</b>	<u>275,864</u>
<b>Net Position - Beginning of Period</b>	<u>1,174,635</u>
<b>Net Position - End of Period</b>	<u><u>\$ 1,450,499</u></u>

*The Notes to Financial Statements are an Integral Part of These Statements.*

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2013**

<b>Cash Flows From Operating Activities:</b>	
Cash Received from Surcharges and Other Revenue	\$ 322,583
Cash Payments to Suppliers for Goods and Services	(130,196)
Cash Paid for Payroll, Taxes and Related Benefits	<u>(83,468)</u>
<b>Net Cash Provided By Operating Activities</b>	<b>108,919</b>
<b>Cash Flows From Noncapital Financing Activities</b>	
Operating Grants & Reimbursements	<u>209,074</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>209,074</b>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Purchase of Capital Assets	<u>(151,708)</u>
<b>Net Cash Provided by Capital and Related Activities</b>	<b>(151,708)</b>
<b>Cash Flows From Investing Activities:</b>	
Interest Received	6,002
Investment in Certificates of Deposit	<u>(5,759)</u>
<b>Net Cash Provided from Investing Activities</b>	<b>243</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>166,528</b>
Cash and Cash Equivalents at Beginning of Period	<u>223,993</u>
 <b>Cash and Cash Equivalents at End of Period</b>	 <b><u>390,521</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Net Income from Operating Activities	60,788
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	45,947
Change in Assets and Liabilities	
Increase in Prepaid Insurance	(287)
Increase in Payroll Taxes	116
Increase in Compensated Absences	2,473
Increase in Accounts Receivable	<u>(118)</u>
<b>Net Adjustments</b>	<b>48,131</b>
 <b>Net Cash Provided by Operating Activities</b>	 <b><u>\$ 108,919</u></b>

*The Notes to Financial Statements are an Integral Part of These Statements.*

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**1. Summary of Significant Accounting Policies:**

**The Financial Reporting Entity** - The Scott County Emergency Communication District was formed under Tennessee Code Annotated Title 7 Section 86 Emergency Communications Districts. The district is a component unit of Scott County, Tennessee because the district is legally separate, the county court appoints the members of the board of directors of the district and the court can impose its will by changing the telephone surcharge rate and the county court can impose its will on the district by the approval of debt and borrowings.

**Method of Accounting** – The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the District, the reporting entity. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

**Income Taxes** - The District is exempt from Federal Income Taxes because of its creation by the Scott County Government.

**Revenue** – Operating revenues consist primarily from Highland Telephone Cooperative authorization to charge residents of Scott County \$ .65 and businesses \$2.00 per month. As of June 30, 2013, the district had 5,781 residential customers and 1,807 business customers. Wireless communications income is from a share of state collected revenues from cell phone usage based upon population. All other revenues and expenses are reported as nonoperating revenues and expenses.

**Cash** - The organization treats as cash; checking account balances, savings accounts, certificates of deposit with original maturities of less than three months and cash on hand.

**Cash Management** - Cash temporarily idle during the year was invested in a savings account and certificates of deposit. The certificates of deposit have maturities of 12 months. The Communications District earned \$6,002 on all investments for the year ended June 30, 2013.

**Deposits and Investments** – All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure the debt of these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect these accounts that are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the purpose of credit risk disclosure.

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

(continued)

For deposits with financial institutions that do not participate in the bank collateral pool, the state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the entity. Scott County Emergency Communications District has an agreement with one bank for balances above FDIC limits.

The carrying value of the districts deposits were \$1,250,812 and the bank balance was \$1,257,744. Of that amount, \$ 848,080 was insured by FDIC insurance, and the remainder was collateralized by a third party in the district's name.

**Compensated Absences** – It is the district’s policy to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave since the district does not have a policy to pay any amount when employees separate from service with the district. Accumulated vacation pay is reported as expenditure and a liability of the fund when material and accumulated.

**Fixed Assets** – Fixed assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated life in excess of one year. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated assets are recorded at the estimated fair market value at the date of donation. The Straight Line method of depreciation is used to calculate depreciation over a five year period. Depreciation expense for the current year was \$45,947.

Although mapping expenses have a useful life of more than one year, the life is very difficult to measure. Mapping expenses, therefore, are treated as expenses as incurred.

**Fixed Assets**

	<u>Balances</u> 6/30/2012	<u>Adjustments</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> 6/30/2013
<b><u>Equipment</u></b>					
Mapping Equipment	\$ 36,882	79,220	-	-	\$ 116,102
Communication Equipment	419,344	(79,220)	151,708	(250,973)	240,859
Vehicles	24,500	-	-	-	24,500
	<u>480,726</u>	<u>-</u>	<u>151,708</u>	<u>(250,973)</u>	<u>381,461</u>
<b><u>Accumulated Depreciation</u></b>					
Mapping Equipment	(15,624)	(63,376)	(12,885)	-	(91,885)
Communication Equipment	(342,009)	63,376	(33,061)	250,973	(60,721)
Vehicles	(24,500)	-	-	-	(24,500)
	<u>(382,133)</u>	<u>-</u>	<u>(45,946)</u>	<u>250,973</u>	<u>(177,106)</u>
Net Investment in Fixed Assets	<u>\$ 98,593</u>	<u>-</u>	<u>105,762</u>	<u>-</u>	<u>\$ 204,355</u>

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

*(continued)*

**Risk Management** -- The District is exposed to various risks of losses related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained commercial insurance to manage these risks. Management does not believe any claims will exceed the insurance amount. Software coverage is \$ 250,000; auto coverage includes Collision and Comprehensive coverage with deductibles of \$ 250 and \$ 500 respectively, and general liability of \$ 2,000,000 each occurrence and \$ 5,000,000 aggregate with \$ 5,000 medical payments. The settlements have not exceeded insurance amounts in the past three years.

**Budgets** -- Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end. On or before May 31 of each year, the proposed budget is prepared and presented to the board for review. The board adopts the budget and amends the budget throughout the year as needed.

The District is required by state statute to adopt the annual budget. The annual budget is prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Board of Directors and any authorized revisions. Unencumbered appropriations lapse at the end of each year.

The budgetary level of control is at the line-item level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee.

The Districts budgetary basis of accounting is on the modified cash basis. Reconciliation to GAAP is presented on the face of the budgetary schedule.

**Net Position and Fund Balance** -- In the financial statements, equity is classified as net position and displayed in three components:

- a) Net investment in capital assets -- Consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- b) Restricted net position -- Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) laws through constitutional provisions or enabling legislation.
- b) Unrestricted net position -- All other net position that does not meet the definition of restricted or net investment in capital assets.

It is the District's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balances is available.

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

*(continued)*

**Use of Estimates** -- The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could be different from those estimates.

**2. The Officers and Employees of the District Bonds**

The District maintains an insurance policy against officers and employee forgery or alteration as required by TCA 7-86-119 with policy limits of \$12,500; theft of money and securities with policy limits of \$ 100,000; employee dishonesty with a policy limit of \$250,000; and counterfeit United States or Canadian paper currency with a policy limit of \$ 100,000.

**3. Accounting Standards**

The District has adopted the GASB Statement No. 62. This statement incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinion and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedures issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

**4. Pension Plan**

**Plan Description**

Employees of Scott County E911 District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 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 became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 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 Scott County E911 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.

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**  
*(continued)*

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

**Funding Policy**

Scott County E911 District requires employees to contribute 5.0 percent of earnable compensation.

Scott County E911 District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 2.65 % of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Scott County E911 District is established and may be amended by the TCRS Board of Trustees.

For the year ending June 30, 2013, Scott County E911 District's annual pension cost of \$1,312 to TCRS was equal to Scott County E911 District's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increases 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. Scott County E911 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, 2011 was 0 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Fiscal Year Ending	Annual Pension Cost	Percentage Of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 1,312	100.00%	\$0.00
June 30, 2012	1,267	100.00%	\$0.00
June 30, 2011	60,785	100.00%	\$0.00

**Funding Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$0.00 million, and the actuarial value of assets was \$0.00 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.00 million. The covered

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

*(continued)*

payroll of active employees covered by the plan) \$0.00 million, and the ratio of the UAAL to the covered payroll was 0.00 percent.

The schedule 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.

(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, 2011	\$ 0	\$ 0	\$ 0	0.00%	\$ 0	0.00%

## **Required Supplementary Information**

**SCOTT COUNTY EMERGENCY COMMUNICATONS DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2013**

**Schedule of Funding Progress for Scott County E911 District**

(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, 2011	\$ 0	\$ 0	\$ 0	0.00%	\$ 0	0.00%
July 1, 2009	\$ 0	\$ 0	\$ 0	0.00%	\$ 0	0.00%
July 1, 2007	\$ 0	\$ 0	\$ 0	0.00%	\$ 0	0.00%

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 using the Entry Age actuarial cost method went into effect during the year of 2007 actuarial valuation, therefore only the two most recent valuations are presented.

## **Supplementary Information**

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES AND EXPENSES  
ACTUAL AND BUDGET - (BUDGETARY BASIS) AND BUDGET  
June 30, 2013**

	Budget Amounts		Actual Revenues/ Expenditures (Budgetary) Actual	Differences in Recievables, Payables, Depreciation Improvements(1)	Actual (GAAP Basis)	Variance Favorable (Unfavorable)
	Original Budget	Final Budget				
<b>INCOME</b>						
Telephone Surcharge	\$ 91,000	\$ 91,000	\$ 87,616	\$ 118	\$ 87,734	\$ (3,384)
Wireless Commission	52,000	52,000	92,107	-	92,107	40,107
Emergency Communications Board						
Grants & Reimbursements	165,435	165,435	209,074	-	209,074	43,639
Operational Funding	195,000	195,000	142,860	-	142,860	(52,140)
Interest Income	8,000	8,000	6,002	-	6,002	(1,998)
Miscellaneous Income	-	-	-	-	-	-
<b>Total Revenue</b>	<b>511,435</b>	<b>511,435</b>	<b>537,659</b>	<b>118</b>	<b>537,777</b>	<b>26,224</b>
<b>EXPENSES</b>						
Director	16,275	16,275	16,275	-	16,275	-
Administrative Personal	27,825	27,825	27,821	-	27,821	4
Overtime Compensation	7,500	7,500	5,425	-	5,425	2,075
Dispatchers/Radio Operators	54,000	54,000	52,326	-	52,326	1,674
Social Security	4,000	4,000	3,690	-	3,690	310
Medicare	1,000	1,000	863	-	863	137
Compensated Absences	-	-	-	2,473	2,473	-
Medical Insurance	17,000	17,560	17,550	-	17,550	10
Dental Insurance	800	800	648	-	648	152
Retirement Contributions	3,000	3,000	1,312	-	1,312	1,688
Addressing and Mapping	10,000	10,000	10,000	-	10,000	-
Advertising	500	500	285	-	285	215
Auditing Services	4,000	4,000	4,000	-	4,000	-
Telephone Contract	28,000	28,000	25,946	-	25,946	2,054
Legal Services	4,800	4,800	4,200	-	4,200	600
Maintenance Agreement	18,000	18,000	6,756	-	6,756	11,244
Office Equipment Maintenance	7,000	3,500	1,589	-	1,589	1,911
Vehicle Maintenance	2,000	2,000	810	-	810	1,190
Office Supplies	3,000	3,000	2,865	-	2,865	135
Postage	400	400	184	-	184	216
Uniforms	600	600	600	-	600	-
Telephone	6,000	6,000	5,664	-	5,664	336
Utilities-Gas	500	500	69	-	69	431
Cell Phones and Pagers	1,500	1,500	1,399	-	1,399	101
Wireless Line Charges	5,500	5,500	5,435	-	5,435	65
Bank Charges	150	150	-	-	-	150
Board Meeting	1,000	1,000	180	-	180	820
Dues and Memberships	250	3,190	3,189	-	3,189	1
Insurance - Liability	9,000	9,000	9,018	(287)	8,731	(18)
Public Education	500	500	-	-	-	500
Training Expense	5,000	5,000	1,550	-	1,550	3,450
Travel Expense	7,000	7,000	4,035	-	4,035	2,965
Other Charges	1,000	1,000	96	-	96	904
Depreciation	30,000	30,000	45,947	-	45,947	(15,947)
Capital Improvements	234,335	234,335	151,708	(151,708)	-	82,627
<b>Total Expenses</b>	<b>511,435</b>	<b>511,435</b>	<b>411,435</b>	<b>(149,522)</b>	<b>261,913</b>	<b>100,000</b>
<b>Net Income (Loss)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 126,224</b>	<b>\$ 149,640</b>	<b>\$ 275,864</b>	<b>\$ (73,776)</b>
<b>1. A. Accounts Recievable</b>						
Prior Year	\$ 7,916					
Current Year	8,034					
	<u>\$ 118</u>					
<b>B. Prepaid Expense</b>						
Prior Year	\$ 4,709					
Current Year	4,996					
	<u>\$ (287)</u>					
<b>C. Depreciation</b>						
Current Year	<u>\$ 45,947</u>					
<b>D. Accounts Payable - Compensated Absences</b>						
Prior Year				\$ 13,941		
Current Year				16,414		
				<u>\$ 2,473</u>		
<b>E. Capital Improvements</b>						
Current Year				<u>\$ 151,708</u>		
				<u>\$ (151,708)</u>		

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF OFFICIAL BONDS OF PRINCIPAL OFFICIALS  
For the Year Ended June 30, 2013**

<u>NAME</u>	<u>TITLE</u>
Wayne Shoemaker	Director
Donna Reed	Office Administrator
Charlie May	Vice Chairman
Ted Carson	Board Member

## **Miscellaneous Section**

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
REVENUES AND EXPENSES PAST TEN YEARS  
For the Year Ended June 30, 2013  
(UnAudited)**

YEAR	REVENUES	EXPENSES
2004	\$ 231,238	\$ 123,494
2005	253,178	181,938
2006	228,483	182,969
2007	309,705	187,147
2008	289,641	181,037
2009	316,966	195,895
2010	309,618	226,000
2011	363,558	289,489
2012	336,479	233,823
2013	537,777	261,913

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**Schedule of Expenditures of State Awards**  
**June 30, 2013**

	Program Title	CFDA #	Grant #	June 30, 2012	Receipts	Expenditures	June 30, 2013
State of Tennessee Assistance							
Department of Commerce and Insurance	Tenn. Emergency Communications Board	N/A	Z03016925	\$ -	\$ 10,000	\$ 10,000	\$ -
<b>Total State of Tennessee Assistance</b>				<b>\$ -</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ -</b>

\* CFDA--Catalog of Federal Domestic Assistance; (1) No Federal CFDA number assigned.  
 ( ) Indicates unexpended balances at year end and a restricted balance in net assets.

**SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**June 30, 2013**

**NOTE A- BASIS OF PRESENTATION**

The accompanying schedule of expenditures of State Awards of the Scott County Emergency Communications District is presented on the accrual basis of accounting.

## **Internal Control and Compliance Section**

# Dennis E. Jeffers

Certified Public Accountant

A Member of the American Institute of Certified Public Accountants

18707 North Alberta Avenue  
Oneida, Tennessee 37841  
(423)569-6969

## INDEPENDENT AUDITOR'S 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  
Scott County Emergency Communications District  
Huntsville, Tennessee 37756

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 Scott County Emergency Communications District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Scott County Emergency Communications District's basic financial statements, and have issued our report thereon dated November 22, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Scott County Emergency Communications District's internal control over financial reporting (internal control) to determine the our 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 Scott County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Scott County Emergency Communications 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 the 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 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Scott County Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 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.

*Dennis E. Jeffers CPA, PC*

Oneida, Tennessee  
November 22, 2013

**Scott County Emergency Communications District  
Schedule of Findings and Responses – Current Year  
June 30, 2013**

**None**