

**JOHNSON COUNTY EMERGENCY COMMUNICATIONS
DISTRICT 911**

Mountain City, Tennessee

FINANCIAL STATEMENTS

For the Twelve Month Period Ended

June 30, 2013

(Independent Auditor's Report Thereon)

JOHNSON COUNTY EMERGENCY

COMMUNICATIONS DISTRICT 911

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June 30, 2013

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JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

December 11, 2013

To the Johnson County E 911 Board Members

This report consists of management's representations concerning the finances of the Johnson County Emergency Communications District 911. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Organization has established a comprehensive internal control framework that is designed both to protect the Organization's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Organization's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Organization's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Organization's financial statements have been audited by Eddy & Eddy, CPAs, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Organization for the fiscal year ended June 30, 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Organization's financial statements for the fiscal year ended June 30, 2013 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

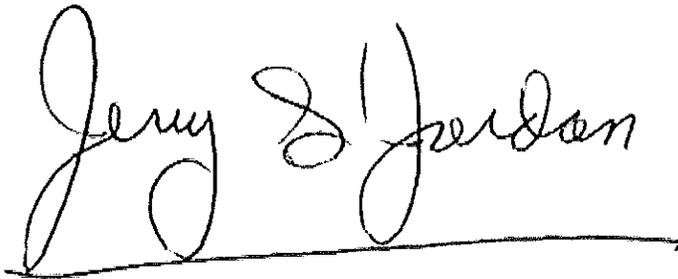
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Organization's MD&A can be found immediately preceding the report of the independent auditors.

Profile of the Government

The Organization was created under the authority of Title 7, Chapter 86, Tennessee Code Annotated. The Organization is dedicated to providing emergency communications for the purposes of enhancing "911" and selective routing services.

The Organization operates under the board-director form of government. The board is responsible, among other things, for adopting the budget, and for carrying out the policies of the board, and for overseeing the day-to-day operations of the Organization.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jerry S. Jordan". The signature is written in black ink and is positioned above a horizontal line that extends to the right, ending in an arrowhead.

Director

JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911

BOARD MEMBERS
As of June 30, 2013

Chairman	Randy Stewart
Vice Chair	Janet Wilson
Secretary	Willie DeBord
Other Board Members	Jerry Grindstaff Chris Pierce Gene Hackney Bob Morrison Tom Taylor Jason Blevins

MANAGEMENT OFFICIALS
As of June 30, 2013

Director	Eugene Campbell – through December 2012 Jerry Jordan – beginning March 2013
Interim Director	Jerry Jordan – beginning December 2012
Assistant Director	Michelle Arney – through December 2012 Kevin Colson – beginning June 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Johnson County Emergency Communications District 911's annual financial report presents our discussion and analysis of the Organization's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the Organization's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Organization's total net position increased by \$183,577 during the fiscal year, and the invested in capital assets increased by \$107,393.
- During the year, the Organization's expenses were \$183,577 less than the \$657,845 generated in revenues. Last fiscal year revenues exceeded expenses by \$83,901.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information and supplemental information.

The basic financial statements of the Organization are proprietary fund statements. Proprietary fund statements offer short- and long-term financial information about activities that operate like a business.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 summarizes the major features of the Organization's financial statements, including the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

**Figure A-1
Major Features of the Organization's Fund Financial Statements**

	Fund Statements
	Proprietary Funds
Scope	Activities the Organization operates similar to private businesses
Required financial statements	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows Budgetary comparison schedule
Accounting basis and measurement focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid

Fund Financial Statements

The fund financial statements provide detailed information about the Organization.

- Proprietary funds—Services for which the Organization charges customers a fee are generally reported in proprietary funds. Proprietary funds provide both long- and short-term financial information.

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

Net position. The Organization's combined net position increased \$183,577 between fiscal years 2012 and 2013 with an ending balance of \$1,158,786. (See Table A-1.) In comparison, last year net position increased \$83,901.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Table A-1
Johnson County Emergency Communications District 911 Net Position

	2012	2013	<u>Total Percentage Change</u>
Current and other assets	\$ 796,576	\$ 854,249	7.2%
Capital assets	214,107	321,500	50.2%
Total assets	1,010,683	1,175,749	16.3%
Long-term debt outstanding	-	-	
Other liabilities	35,474	16,963	-52.2%
Total liabilities	35,474	16,963	-52.2%
Net position			
Invested in capital assets	214,107	321,500	50.2%
Unrestricted	761,102	837,286	10.0%
Total net position	\$ 975,209	\$ 1,158,786	18.8%

Net position of the Organization increased almost 19 percent to \$1,158,786. However, one of the components of net position is invested in capital assets (buildings, equipment, office equipment, and so on). Consequently, the unrestricted portion of net position showed a \$76,184 increase at the end of this year and net position invested in capital assets increased \$107,393.

Changes in net position. The Organization's total revenues increased by more than 25 percent to \$657,845. (See Table A-2.) More than 30 percent of the Organization's revenue is from TECB operational funding. More than 24 percent of the Organization's revenue is from governmental grants and reimbursements. More than 26 percent of the Organization's revenue comes from E-911 charges and shared wireless surcharges. Contributions from other governments represented almost 17 percent of the Organization's revenue. The remainder comes from investment income and other operating and nonoperating revenue.

The total cost of all services increased approximately \$35,164, or about 8 percent. This increase resulted from increased insurance, maintenance and repairs, training costs, and depreciation expense. The Organization's expenses cover a range of services with about 52 percent related to director/dispatcher expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Table A-2
Changes in Organization's Net Position

	2012	2013	Total percentage change 2012-2013
Revenues			
Emergency Telephone Service	\$152,672	\$142,038	-7.0%
TECB - Operational Funding	191,866	203,610	6.1%
State EMS - Shared Charges	50,055	30,321	-39.4%
Alarm Monitoring	-	-	-
Other Operating Revenues	1,800	1,800	0.0%
Governmental Grants and Reimbursements	10,000	161,185	1511.9%
Contributions from Other Governments	111,000	111,000	0.0%
Gain (Loss) on Disposal of Assets	(3,231)	-	-
Miscellaneous Income	2,363	4,172	76.6%
Interest Income	6,480	4,612	-28.8%
Impairment Loss	-	(893)	-
Insurance Reimbursements	-	-	-
Total revenues	<u>523,005</u>	<u>657,845</u>	25.8%
Expenses			
Director/Dispatcher	248,473	244,408	-1.6%
Health, Life, Dental Insurance	32,532	36,531	12.3%
Retirement	17,987	17,749	-1.3%
Data Processing Services	-	-	-
Advertising	800	3,624	353.0%
Insurance	6,301	6,418	1.9%
Office Expense	2,625	2,314	-11.8%
Dues & Subscriptions	651	480	-26.3%
Professional Fees	10,305	10,700	3.8%
Communications	30,950	32,371	4.6%
Repairs & Maintenance	23,706	28,001	18.1%
Training	5,222	10,399	99.1%
Travel	2,717	3,466	27.6%
Vehicle Expense	4,011	2,978	-25.8%
Depreciation	41,221	62,829	52.4%
Bad Debts	-	-	-
Other	11,603	12,000	3.4%
Total Expenses	<u>439,104</u>	<u>474,268</u>	8.0%
Increase (Decrease) in Net Position	<u>\$ 83,901</u>	<u>\$ 183,577</u>	118.8%

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2013 the Organization had invested \$321,500 in capital assets, including land, equipment, and building. This amount represents a net increase (including additions and deductions) of \$107,393 or about 50 percent over last year. More detailed information about the Organization's capital assets is presented in Note 2 to the financial statements.

Long-term Debt

During the fiscal year ended June 30, 2013, the Organization had no long-term debt.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Organization's finances and to demonstrate the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Johnson County Emergency Communications District 911, 999 Honeysuckle Street, Mountain City, TN 37683.



Eddy & Eddy

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Johnson County Emergency Communications District 911
Mountain City, Tennessee

Report on the Financial Statements

We have audited the accompanying statement of net position of the Johnson County Emergency Communications District 911, a component unit of Johnson County, Tennessee, and the related statements of revenues, expenses, and changes in net position, and cash flows 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Johnson County Emergency Communications District 911 as of June 30, 2013 and the respective changes in financial position and cash flows for the year then ended in accordance 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 the schedule of funding progress – employee retirement system on pages 4 through 8 and 24 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.

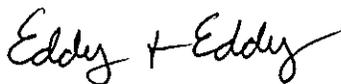
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Johnson County Emergency Communications District 911's basic financial statements. The introductory section and supplemental section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and supplemental sections are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The introductory and supplemental information on pages 1 through 3 and 25 through 26 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 December 11, 2013, on our consideration of the Johnson County Emergency Communications District 911'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 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 Johnson County Emergency Communications District 911's internal control over financial reporting and compliance.



Eddy & Eddy, CPAs, P.C.

Johnson City, Tennessee

December 11, 2013

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Statement of Net Position
June 30, 2013**

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 593,971
Accounts Receivable, net	44,178
Prepaid Items	11,527
Investments	<u>204,573</u>
Total Current Assets	<u>854,249</u>
Noncurrent Assets:	
Capital Assets:	
Land	4,767
Building	70,404
Furniture and Fixtures	4,474
Office Equipment	18,835
Communications Equipment	546,308
Vehicles	22,366
Less Accumulated Depreciation	<u>(345,654)</u>
Total Noncurrent Assets	<u>321,500</u>
Total Assets	<u>1,175,749</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	351
Accrued Payroll	7,438
Accrued Payroll Taxes	762
Accrued Compensated Absences - Current Portion	<u>2,533</u>
Total Current Liabilities	<u>11,084</u>
Noncurrent Liabilities:	
Accrued Compensated Absences - Long-Term Portion	<u>5,879</u>
Total Noncurrent Liabilities	<u>5,879</u>
Total Liabilities	<u>16,963</u>

NET POSITION

Invested in Capital Assets	321,500
Unrestricted	<u>837,286</u>
Total Net Position	<u>\$ 1,158,786</u>

The accompanying notes are an integral part of the financial statements.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Statement of Revenues,
Expenses and Changes in Net Position
For the Year Ended June 30, 2013**

OPERATING REVENUES

Emergency Telephone Service	\$	142,038
TECB - Operational Funding		203,610
State EMS - Shared Charges		30,321
Other Operating Revenues		<u>1,800</u>
 Total Operating Revenues		 <u>377,769</u>

OPERATING EXPENSES

Executive Director Salary	16,955
Dispatchers	200,555
Bonuses	8,267
Social Security	18,107
Life Insurance	486
Medical Insurance	35,621
Dental Insurance	424
Unemployment Compensation (Taxes)	524
Retirement Contributions (TCRS)	11,063
ING Retirement	6,686
Advertising	3,624
Audit Services	8,900
Accounting Services	1,800
Telephone PSAP	24,232
Maintenance Agreements	21,945
Maintenance & Repairs-Communication Equipment	1,946
Maintenance & Repairs-Buildings & Facilities	2,364
Maintenance & Repairs-Office Equipment	1,746
Maintenance & Repairs-Vehicles	2,978
Office Supplies	2,080
Custodial Supplies	153
Postage	81
Small Equipment Purchases	1,657
Utilities-General Telephone	8,139
Cell Phones and Pagers	500
Dues and Memberships	480
Insurance-Workers Compensation	1,036
Insurance-Liability	4,749
Insurance-Vehicles	633
Licenses and Fees	484
Premiums on Surety Bonds	700
Public Education	636
Training Expenses	10,399
Travel Expenses	3,466
Internet Charges	1,071
Other Operational Expense	6,952
Depreciation	<u>62,829</u>
 Total Operating Expenses	 <u>474,268</u>

The accompanying notes are an integral part of the financial statements.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Statement of Revenues,
Expenses and Changes in Net Position
For the Year Ended June 30, 2013**

Operating Income (Loss)	(96,499)
NONOPERATING REVENUES AND (EXPENSES)	
Government Grants and Reimbursements Income	161,185
Miscellaneous Income	4,172
Contributions from Other Governments	111,000
Interest Income	4,612
Impairment Loss	(893)
Total Nonoperating Revenues and (Expenses)	280,076
Change in Net Position	183,577
Net Position - Beginning of the Year	975,209
Net Position - End of the Year	\$ 1,158,786

The accompanying notes are an integral part of the financial statements.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from surcharges and other revenues	\$ 382,251
Cash payments to employees for payroll	(243,292)
Cash payments to suppliers for goods and services	<u>(198,185)</u>
Net cash provided (used) by operating activities	<u>(59,226)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Grants and reimbursements received	161,185
Contributions from other governments	<u>111,000</u>
Net cash provided (used) by noncapital financing activities	<u>272,185</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	<u>(171,115)</u>
Net cash provided (used) for capital and related financing activities	<u>(171,115)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and dividends on investments	4,612
Interest and dividends reinvested	<u>(1,327)</u>
Net cash provided (used) by investing activities	<u>3,285</u>
Net increase (decrease) in cash and cash equivalents	45,129
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>548,842</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 593,971</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (96,499)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	62,829
Miscellaneous Income	4,172
Change in assets and liabilities:	
Decrease in accounts receivable	310
Increase in prepaids	(11,527)
Decrease in accounts payable	(1,110)
Increase in accrued payroll taxes	114
Decrease in accrued payroll and compensated absences	<u>(17,515)</u>
Net cash provided (used) by operating activities	<u>\$ (59,226)</u>
NONCASH TRANSACTION:	
Impairment Loss on Equipment	<u>\$ (893)</u>

The accompanying notes are an integral part of the financial statements.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The proprietary fund's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Organization's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Nature of Activities

The Johnson County Emergency Communications District 911 is an agency dedicated to providing emergency communications for the purposes of enhancing "911" and selective routing services.

Basis of Accounting

The financial statements of the Organization are reported using the accrual basis of accounting. In the accrual basis of accounting, revenues are generally recognized when earned and expenses recognized when incurred.

Financial Statement Presentation

The operations of the Organization are accounted for in a proprietary fund. Proprietary funds are reported using a flow of economic resources measurement focus and the accrual basis of accounting. This is the same measurement focus and basis of accounting used by private business enterprises.

Budgetary Control

The Communications District establishes the fiscal year as the twelve-month period beginning July 1. Upon receipt of the budget prepared by the budget committee, the Board of Directors holds a first reading on the budget. Information about the budget is considered public record. The second reading is scheduled three to four weeks after the first reading is approved. The budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures should not exceed the amount budgeted. Revisions can be made throughout the year with the Board's approval.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments with an initial maturity of three months or less, cash on hand, and all cash accounts which are not subject to withdrawal restrictions or penalties.

Property and Equipment

Property and equipment are stated at cost, or in the case of contributed assets, at their fair value at the time of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The Organization's capitalization policy is to capitalize office and communication equipment costing \$1,000 or more and to capitalize any amount for vehicles, building, or land.

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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Advertising

The Organization expenses advertising costs as incurred. Total advertising expense for the year ended June 30, 2013 amounted to \$3,624.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment are carried at cost, or in the case of contributed assets, at their fair market value at the time of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Buildings are depreciated over forty (40) years; vehicles, furniture and equipment are depreciated between five (5) to ten (10) years. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation expense at June 30, 2013 amounted to \$62,829. At June 30, 2013 communications equipment costing \$103,780, with a remaining value of \$10,200, was taken out of service. The District plans to eventually dispose of this equipment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. At June 30, 2013 the District had an impairment loss of \$893 on office equipment, which is reported

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2. PROPERTY AND EQUIPMENT (Continued)

as a nonoperating expense in the statement of revenues, expenses, and changes in net position.

Property and equipment are composed of the following:

	Capital Assets, Not Depreciated		Capital Assets, Depreciated					Totals
	<u>Land</u>	<u>Building</u>	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Communi- cations Equipment</u>	<u>Vehicles</u>		
Balance June 30, 2012	\$ 4,767	\$ 70,404	\$ 4,656	\$ 15,401	\$ 379,658	\$ 22,366	\$ 497,252	
Increases	-	-	-	4,465	166,650	-	171,115	
Decreases	-	-	(182)	(1,031)	-	-	(1,213)	
Balance June 30, 2013	<u>\$ 4,767</u>	<u>\$ 70,404</u>	<u>\$ 4,474</u>	<u>\$ 18,835</u>	<u>\$ 546,308</u>	<u>\$ 22,366</u>	<u>\$ 667,154</u>	
Accumulated Depreciation:								
Balance June 30, 2012	\$ -	\$ 31,362	\$ 2,480	\$ 9,642	\$ 217,295	\$ 22,366	\$ 283,145	
Increases	-	1,785	386	1,400	59,258	-	62,829	
Decreases	-	-	(182)	(138)	-	-	(320)	
Balance June 30, 2013	<u>\$ -</u>	<u>\$ 33,147</u>	<u>\$ 2,684</u>	<u>\$ 10,904</u>	<u>\$ 276,553</u>	<u>\$ 22,366</u>	<u>\$ 345,654</u>	
Capital Assets, Net	<u>\$ 4,767</u>	<u>\$ 37,257</u>	<u>\$ 1,790</u>	<u>\$ 7,931</u>	<u>\$ 269,755</u>	<u>\$ -</u>	<u>\$ 321,500</u>	

NOTE 3. ACCOUNTS RECEIVABLE

The Organization's accounts receivable at June 30, 2013 is comprised of \$12,411 from E 911 surcharges, \$31,458 from the State of Tennessee for operations, and \$309 from other receivables.

NOTE 4. COMPONENT UNITS

Johnson County Emergency Communications District 911 is a component unit of Johnson County, Tennessee. Johnson County, Tennessee is the primary government and exercises influence upon the Organization. Positions on the board of the Johnson County Emergency Communications District 911 are appointed by the primary government. The primary government controls the borrowing power of the Johnson County Emergency Communications District 911 and sets the rate for the E-911 surcharge income.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 5. RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2013 consist of the following:

Cash - Checking	\$ 401,228
Cash - Savings	<u>192,743</u>
Cash and Cash Equivalents	<u>\$ 593,971</u>

The Organization maintains deposit accounts at commercial banks in Mountain City, Tennessee. The Board has adopted the State of Tennessee’s investment policy.

Various restrictions on deposits are imposed by state statutes. All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Organization.

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Organization’s deposits may not be returned to it. The Organization does not have a policy related to such risk. At June 30, 2013, the carrying amount of the Organization’s deposits was \$798,544 and the bank balance was \$804,935. As of June 30, 2013, \$199,238 of the bank balance of \$804,935 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>199,238</u>
Total	<u>\$ 199,238</u>

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 7. INVESTMENTS

Investments as of June 30, 2013 consist of the following:

	Cost 2013	Fair Value 2013	Carrying Value 2013
Certificates of Deposit	\$ 204,573	\$ 204,573	\$ 204,573
Investments	<u>\$ 204,573</u>	<u>\$ 204,573</u>	<u>\$ 204,573</u>

State statutes authorize the Organization to invest in treasury bonds, notes or bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the federal home loan mortgage corporation; other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies; certificates of deposit and other evidences of deposit at state and federally chartered bank and savings and loan associations; obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself if the market value of the security itself is more than the amount of funds invested only if the comptroller of the treasury or the comptroller's designee approves repurchase agreements as an authorized investment, and if such investments are made in accordance with procedures established by the state funding board; and the local government investment pool created by title 9, chapter 4, part 7. The Organization has adopted the State of Tennessee's investment policy regarding authorized investments.

NOTE 8. OPERATING/NONOPERATING DISTINCTION

The Organization distinguishes operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with the Organization's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

NOTE 9. ING RETIREMENT PLAN

The Organization has a 457(b) deferred compensation plan. The Organization matches participating employee contributions in a four to one ratio. The Organization's matching amount at June 30, 2013 amounted to \$6,686, as reflected on the statement of revenues, expenses, and changes in net position.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10. TCRS RETIREMENT PLAN

Plan Description

Employees of Johnson County 911 ECD 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 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 Johnson County 911 ECD participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Johnson County 911 ECD requires employees to contribute 5.0 percent of earnable compensation.

Johnson County 911 ECD is required to contribute at an actuarially determined rate; the rate for fiscal year ending June 30, 2013 was 6.46% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Johnson County 911 ECD is established and may be amended by the TCRS Board of Trustees.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 10. TCRS RETIREMENT PLAN (Continued)

Annual Pension Cost

For the year ending June 30, 2013, Johnson County 911 ECD's annual pension cost of \$11,063 to TCRS was equal to Johnson County 911 ECD'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 increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Johnson County 911 ECD'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 8 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$11,063	100.00%	\$0.00
June 30, 2012	\$11,059	100.00%	\$0.00
June 30, 2011	\$11,479	100.00%	\$0.00

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 78.64% percent funded. The actuarial accrued liability for benefits was \$0.18 million, and the actuarial value of assets was \$0.14 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.04 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.16 million, and the ratio of the UAAL to the covered payroll was 22.86% percent.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 10. TCRS RETIREMENT PLAN (Continued)

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) – (a)	(a) / (b)	(c)	((b) – (a)) / (c)
July 1, 2011	\$138	\$176	\$38	78.64%	\$164	22.86%

NOTE 11. LEASES

On November 26, 2003, the Organization entered into a 15-year lease, renewable for an additional 15 years, with Johnson County, Tennessee, for a room in the Johnson County Jail facility. Annual rent of \$1 is due each December 1, beginning December 1, 2003.

On November 18, 2004, the Organization leased its property located at 158 Nine One One Avenue, Mountain City, Tennessee, to Johnson County for 15 years beginning December 1, 2004, with options to renew for annual terms. Annual rent of \$1 is due each December 1, beginning December 1, 2004.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 12. LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

The following summarizes long-term liability activity of the Organization for the year ended June 30, 2013.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Sick Pay	\$ 22,779	5,879	22,779	\$ 5,879	\$ -

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
Schedule of Funding Progress - Employee Retirement System

Johnson County Emergency Communications District 911 Employees' Pension Plan

(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	\$ 138	\$ 176	\$ 38	78.64%	\$ 164	22.86%
July 1, 2009	\$ 81	\$ 86	\$ 5	94.53%	\$ 95	4.95%
July 1, 2007	\$ 55	\$ 60	\$ 5	91.67%	\$ 113	4.42%

The accompanying notes are an integral part of the financial statements.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013**

	Unaudited			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 31,732	\$ 975,209	\$ 975,209	\$ -
Resources (Inflows):				
OPERATING REVENUES:				
Emergency Telephone Service	155,000	155,000	142,038	(12,962)
TECB - Operational Funding	55,000	55,000	203,610	148,610
State EMS - Shared Charges	44,000	44,000	30,321	(13,679)
Other Operating Revenues	1,800	1,800	1,800	-
Total Operating Revenues	255,800	255,800	377,769	121,969
NONOPERATING REVENUES AND (EXPENSES):				
Grants and Reimbursements Income	-	-	161,185	161,185
Contributions from Other Governments	111,000	111,000	111,000	-
Interest Income	7,000	7,000	4,612	(2,388)
Impairment Loss	-	-	(893)	(893)
Gain (Loss) on Disposal of Assets	-	-	-	-
Miscellaneous Income	-	-	4,172	4,172
Total Nonoperating Revenues and (Expenses)	118,000	118,000	280,076	162,076
Amounts available for appropriation	405,532	1,349,009	1,633,054	284,045
Charges to Appropriations (Outflows):				
OPERATING EXPENSES:				
Executive Director Salary	29,107	31,298	16,955	14,343
Dispatchers	199,000	200,725	200,555	170
Bonuses	-	8,267	8,267	-
Social Security	17,400	18,145	18,107	38
Life Insurance	500	500	486	14
Medical Insurance	38,900	38,511	35,621	2,890
Dental Insurance	-	-	424	(424)
Unemployment Compensation (Taxes)	650	722	524	198
Retirement Contributions (TCRS)	10,600	11,157	11,063	94
ING Retirement	8,520	8,520	6,686	1,834
Advertising	800	3,624	3,624	-
Audit Services	8,500	8,900	8,900	-
Accounting Services	2,550	2,250	1,800	450
Telephone PSAP	22,000	29,798	24,232	5,566
Legal Services	500	-	-	-
Maintenance Agreements	20,700	27,908	21,945	5,963
Maintenance & Repairs-Communication Equipment	2,500	3,381	1,946	1,435
Maintenance & Repairs-Buildings & Facilities	-	2,261	2,364	(103)

The accompanying notes are an integral part of the financial statements.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013**

Unaudited

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Maintenance & Repairs-Office Equipment	1,100	1,510	1,746	(236)
Maintenance & Repairs-Vehicles	3,000	3,000	2,978	22
Office Supplies	2,000	2,068	2,080	(12)
Custodial Supplies	100	177	153	24
Postage	250	100	81	19
Small Equipment Purchases	-	3,062	1,657	1,405
Utilities-General Telephone	9,000	9,000	8,139	861
Cell Phones and Pagers	1,200	500	500	-
Dues and Memberships	650	480	480	-
Insurance-Workers Compensation	1,100	1,100	1,036	64
Insurance-Liability	4,650	4,749	4,749	-
Insurance-Vehicles	650	650	633	17
Licenses and Fees	525	525	484	41
Premiums on Surety Bonds	1,060	1,060	700	360
Public Education	520	636	636	-
Training Expenses	6,000	10,040	10,399	(359)
Travel Expenses	3,500	3,500	3,466	34
Internet Charges	-	1,071	1,071	-
Other Operational Expense	8,000	6,500	6,952	(452)
Total Operating Expenses	<u>405,532</u>	<u>445,695</u>	<u>411,439</u>	<u>34,256</u>
Total Charges to Appropriations	<u>405,532</u>	<u>445,695</u>	<u>411,439</u>	<u>34,256</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ 903,314</u>	<u>\$ 1,221,615</u>	<u>\$ 318,301</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" \$ 1,633,054

Differences - budget to GAAP:

The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes. (975,209)

Total revenues as reported on the statement of revenues, expenses and changes in net position \$ 657,845

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" \$ 411,439

Differences - budget to GAAP:

Depreciation is not a budgetary outflow of resources but is a current year expense for financial reporting purposes. 62,829

Total expenses as reported on the statement of revenues, expenses and changes in net position \$ 474,268

The accompanying notes are an integral part of the financial statements.



Eddy & Eddy

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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
Johnson County Emergency Communications District 911
Mountain City, 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 Johnson County Emergency Communications District 911, a component unit of Johnson County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Johnson County Emergency Communication District 911's basic financial statements and have issued our report thereon dated December 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Johnson County Emergency Communications District 911'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Johnson County Emergency Communications District 911's internal control. Accordingly, we do not express an opinion on the effectiveness of Johnson County Emergency Communications District 911's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness: Finding 2013-01.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Johnson County Emergency Communications District 911'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-02.

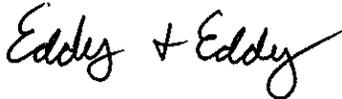
We noted certain other matters that we reported to management of Johnson County Emergency Communications District 911 in a separate letter dated December 11, 2013.

Johnson County Emergency Communications District 911's Response to Findings

Johnson County Emergency Communications District 911's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Johnson County Emergency Communications District 911's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Eddy & Eddy, CPAs, P.C.

Johnson City, Tennessee
December 11, 2013

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2013-01 (repeated from prior year):

Criteria: Financial statements should not be materially misstated. The auditors considered materiality to be \$18,000.

Condition: Before auditor proposed adjustments were made, the financial statements were materially misstated.

Effect: Total assets were understated by \$36,612, expenses were overstated by \$50,941, and the net change in net position was understated by \$38,357.

Cause: The main causes of the material misstatement of the financial statements were assets taken out of service but still owned at June 30, 2013 were removed from the records; new equipment was set up with an April 2003 acquisition date instead of an April 2013 acquisition date resulting in too much depreciation being calculated on that asset; and the reversal of prior year accrued compensated absences was made through miscellaneous income instead of the related expense account.

Recommendation: We recommend prior year accruals be reversed through the accounts they were originally made to and assets taken out of service but not yet disposed of should remain on the records (no additional depreciation should be taken on these assets after they are taken out of service) until their disposition. In addition we recommend the acquisition dates of new asset acquisitions be reviewed for incorrect dates before depreciation expense is recorded.

Views of Responsible Officials: The Board will take steps to fix this in the future.

Finding 2013-02:

Criteria: Emergency communication districts are required to follow the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts. This manual includes a mandated chart of accounts.

Condition: The District used account number 2110 for Direct Deposit Liabilities. According to the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts, the 2100 series of accounts is used for current liabilities payable from restricted assets. The District used account number 5008 for Loss on Disposal of Property. According to the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts, account number 5011 should be used for Loss on Disposal of Property.

SCHEDULE OF FINDINGS AND RESPONSES

Effect: The District was not in compliance with the chart of accounts as outlined in the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts.

Cause: The District did not follow the chart of accounts outlined in the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts.

Recommendation: We recommend the District follow the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts. The manual can be accessed on the State of Tennessee web site (Comptroller of the Treasury).

Views of Responsible Officials: The Board will take steps to fix this in the future.