

Financial Statements

EMERGENCY COMMUNICATIONS DISTRICT OF
ANDERSON COUNTY, TENNESSEE

Year Ended June 30, 2013

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Emergency Communications District of
Anderson County, Tennessee
Clinton, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Emergency Communications District of Anderson County, Tennessee, a component unit of Anderson County, Tennessee, as of June 30, 2013 which comprise the statement of net position, the related statement of revenue, expenses and change in net position and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 auditors' 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 auditors consider internal control relevant to the 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 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 in the first paragraph present fairly, in all material respects, the net position of Emergency Communications District of Anderson County, Tennessee as of June 30, 2013 and the changes in its net position and its 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 management's discussion and analysis on pages 4 to 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other information we obtained during our audit of the 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 Emergency Communications District of Anderson County, Tennessee's financial statements. The accompanying information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

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

The schedule of the board of directors has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2013 on our consideration of Emergency Communications District of Anderson County, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Emergency Communications District of Anderson County, Tennessee's internal control over financial reporting and compliance.

Mitchell Emert & Hill

October 16, 2013

**EMERGENCY COMMUNICATIONS DISTRICT
OF ANDERSON COUNTY, TENNESSEE**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Emergency Communications District of Anderson County, Tennessee, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2013. Please read it in conjunction with the District's financial statements, as listed in the table of contents.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditors' report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities. The statement of net position includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligations to the District's creditors (liabilities).

All of the current year's revenue and expenses are accounted for in the statement of revenue, expenses and change in net position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The statement of net position and the statement of revenue, expenses and change in net position report information about the District's activities in a way that will help answer this question. The two statements report the net position of the District and the change in it. One can think of the District's net position, the difference between assets and liabilities, as one way to measure financial health. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. A summary of the District's net position and change in it is presented below.

SUMMARIZED FINANCIAL INFORMATION

	<u>2013</u>	<u>2012</u>
NET POSITION		
Current assets	\$ 1,403,987	\$ 1,230,702
Capital assets	<u>293,290</u>	<u>201,193</u>
Total assets	<u>\$ 1,697,275</u>	<u>\$ 1,431,894</u>
Total liabilities	\$ 9,206	\$ 3,177
Net position:		
Net investment in capital assets	293,290	201,193
Unrestricted	<u>1,394,779</u>	<u>1,227,524</u>
	<u>1,688,069</u>	<u>1,428,717</u>
Total liabilities and net position	<u>\$ 1,697,275</u>	<u>\$ 1,431,894</u>
CHANGE IN NET POSITION		
Operating revenue	\$ 408,260	\$ 345,499
Operating expenses	<u>274,536</u>	<u>250,044</u>
Operating income	133,724	95,455
Non-operating income	<u>125,628</u>	<u>46,186</u>
Change in net position	259,351	141,641
Beginning net position	<u>1,428,717</u>	<u>1,287,076</u>
Ending net position	<u>\$ 1,688,069</u>	<u>\$ 1,428,717</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District completed the year ending June 30, 2013 with net position of \$1,688,069, which is \$259,351 more than last year's ending net position of \$1,428,717, an increase of 18% compared to last year. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by \$167,255 of 13% in 2013. The increase in net position was due primarily to an increase in revenue received from the State of Tennessee Emergency Communications Board. The increase in total net position was greater than the increase in unrestricted net position primarily as a result of the increase in the net investment in capital assets due to asset acquisitions exceeding disposals and depreciation.

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

	<u>2013</u>	<u>2012</u>
Emergency telephone service charges	\$ 76,433	\$ 87,507
TECB-shared wireless charge	95,898	90,818

TECB-operational funding	235,930	167,174
TECB-grants and reimbursements	124,034	44,759
Interest income	<u>5,384</u>	<u>5,472</u>
	<u>\$ 537,679</u>	<u>\$ 395,730</u>

Total operational costs for the District were \$274,536 for the fiscal year ended June 30, 2013, an increase of 10% compared to last year. This change was primarily a result of increases in salaries and communications equipment lease and maintenance.

CAPITAL ASSETS

At the fiscal year end of June 30, 2013, the District had \$293,290 invested in capital assets, an increase of \$92,097 or 45% over the prior year. This change was a result of the purchase of computers, software and leasehold improvements totaling \$128,733 and removal of \$75,613 of capital assets that were fully depreciated or no longer usable within the District’s operations. Additional information on capital assets can be found in Note F.

BUDGETARY HIGHLIGHTS

The District adopts an annual operating budget, which includes proposed expenses and the means for paying these expenses. As conditions change during the year, the budget may be amended to prevent budget overruns. Amendments to the originally adopted budget for the fiscal year ending June 30, 2013 increased budgeted revenues by \$92,526 and budgeted expenses by \$10,516. The increase in revenue was primarily due to increased funding received from the Tennessee Emergency Communications Board.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing the Emergency Communications District of Anderson County, Tennessee is the potential continued decrease in revenue generated from landline telephones. Many residents now use cell phones for their residential lines. While the increase in cell phone use is generating revenue, only a portion of that revenue is being returned to each 911 district under the current system being used by the state for distributing shared wireless fees. The uncertainty of landline use and income from shared wireless fees has been a problem in estimating revenue for budget preparation. However, recent in recent years, increased funding from the Tennessee Emergency Communications Board in the form of operational funding, grants and reimbursements have more than offset the decrease in emergency telephone service charges.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general view of the District’s finances and to show the District’s accountability to the money it receives. If you have any questions about this report or need additional financial information, please contact Mark Lucas, Chairman of the Board of the Anderson County Emergency Communications District, 101 S. Main Street, Suite 440, Clinton, TN 37716.

EMERGENCY COMMUNICATIONS DISTRICT OF
ANDERSON COUNTY, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2013

ASSETS

CURRENT ASSETS

Cash	\$	831,537	
Certificate of deposit		455,842	
Accounts receivable		7,140	
Due from TECB		101,166	
Prepaid expenses		8,300	
			<hr/>

TOTAL CURRENT ASSETS 1,403,987

CAPITAL ASSETS

Communications equipment	\$	409,172	
Furniture and fixtures		47,369	
Office equipment		24,706	
Vehicle		19,425	
Leasehold improvements		65,554	
Other fixed assets		77,848	
		<hr/>	
		644,073	
Accumulated depreciation		(350,784)	<hr/>
			293,290

TOTAL ASSETS \$ 1,697,275

See the accompanying notes to the financial statements.

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable		\$ 6,782
Payroll taxes payable		<u>2,424</u>

TOTAL CURRENT LIABILITIES		9,206
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NET POSITION

Net investment in capital assets	\$ 293,290	
Unrestricted	<u>1,394,779</u>	<u>1,688,069</u>

TOTAL LIABILITIES AND NET POSITION		<u><u>\$ 1,697,275</u></u>
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EMERGENCY COMMUNICATIONS DISTRICT OF
ANDERSON COUNTY, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

Year Ended June 30, 2013

OPERATING REVENUE

Emergency telephone service charges	\$ 76,433	
TECB-shared wireless charge	95,898	
TECB-operational funding	<u>235,930</u>	

TOTAL OPERATING REVENUE 408,260

OPERATING EXPENSES

Salaries and wages:		
Administration personnel	\$ 60,936	
Part-time personnel	<u>6,094</u>	67,031

Employee benefits:		
Social security	2,650	
Medicare	<u>892</u>	3,542

Contracted services:		
Audit services	5,000	
Accounting services	3,475	
Fuel-vehicles	389	
Impact payments to cities	9,900	
Lease/Rental-communications equipment	89,715	
Maintenance agreements	18,092	
Maintenance and repairs-building and facilities	4,264	
Maintenance and repairs-communications equipment	485	
Maintenance and repairs-vehicles	23	
Other contract services	<u>1,034</u>	132,377

Supplies and materials:		
Office supplies	4,226	
Other supplies and materials	1,275	
Postage	148	
Utilities-general telephone	4,572	
Utilities-cell phones and pagers	<u>1,749</u>	11,972

EMERGENCY COMMUNICATIONS DISTRICT OF
ANDERSON COUNTY, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

(continued)

Year Ended June 30, 2013

Other charges:		
Board meetings	728	
Dues and memberships	1,693	
Insurance	8,358	
License and fees	978	
Training expenses	7,599	
Travel expenses	3,228	
Internet charges	2,722	
Premiums on surety bonds	<u>1,463</u>	26,769
Depreciation expense		<u>32,846</u>
	TOTAL OPERATING EXPENSES	<u>274,536</u>
	INCOME FROM OPERATIONS	133,724
NONOPERATING REVENUE (EXPENSE)		
Other TECB funding	124,034	
Interest income	5,384	
Loss on disposal of assets	<u>(3,790)</u>	<u>125,628</u>
	CHANGE IN NET POSITION	259,351
NET POSITION AT THE BEGINNING OF THE YEAR		<u>1,428,717</u>
	NET POSITION AT THE END OF THE YEAR	<u>\$1,688,069</u>

See the accompanying notes to the financial statements.

EMERGENCY COMMUNICATIONS DISTRICT OF
ANDERSON COUNTY, TENNESSEE

STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

CASH PROVIDED(USED) BY OPERATING ACTIVITIES	
Cash received from telephone charges	\$ 326,782
Cash paid to suppliers	(168,631)
Cash paid to employees	<u>(67,031)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	91,121
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of equipment	(128,733)
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Other TECB funding	124,034
CASH PROVIDED(USED) BY INVESTING ACTIVITIES	
Interest received	\$ 5,384
(Increase) in certificate of deposit	<u>(5,384)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>0</u>
NET INCREASE IN CASH	86,422
CASH AT THE BEGINNING OF THE YEAR	<u>745,114</u>
CASH AT THE END OF THE YEAR	<u><u>\$ 831,537</u></u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Loss on disposal of capital assets	\$ 3,790

EMERGENCY COMMUNICATIONS DISTRICT OF
ANDERSON COUNTY, TENNESSEE

STATEMENT OF CASH FLOWS

(continued)

Year Ended June 30, 2013

**RECONCILIATION OF INCOME FROM
OPERATIONS TO NET CASH PROVIDED(USED)
BY OPERATING ACTIVITIES**

Income from operations		\$ 133,724
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation	\$ 32,846	
(Increase)decrease in:		
Accounts receivable	4,660	
Due from TECB	(86,138)	
Increase in:		
Accounts payable	5,055	
Payroll taxes payable	974	
	<u>974</u>	<u>(42,603)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u><u>\$ 91,121</u></u>

See the accompanying notes to the financial statements.

EMERGENCY COMMUNICATIONS DISTRICT OF
ANDERSON COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE A - DESCRIPTION OF ORGANIZATION

Emergency Communications District of Anderson County, Tennessee (the District) was created by a countywide referendum on November 6, 1990. The Anderson County Board of Commissioners appointed the District's initial Board of Directors pursuant to Tennessee Code Annotated Section 7-86-101. The District is responsible for the installation and maintenance of the emergency communications network of Anderson County, Tennessee (Enhanced 911 Service).

The District is considered a component unit of Anderson County, Tennessee because the Anderson County Board of Commissioners appoints a majority of the District's Board of Directors and must approve any debt issued by the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net position groups:

Invested in capital assets: This category includes capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2013 has been calculated as follows:

Capital assets	\$ 644,073
Accumulated depreciation	<u>(350,784)</u>
	<u>\$ 293,290</u>

EMERGENCY COMMUNICATIONS DISTRICT OF
ANDERSON COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

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

Unrestricted: This category includes net position that is not subject to externally imposed stipulations and that does not meet the definition of “restricted” or “invested in capital assets”. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Accounts Receivable

Accounts receivable that are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2013, no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets, that include property and equipment, are recorded at cost. Capital assets are defined by the District as assets with an initial, individual cost of \$500 or more. Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to twenty-five years.

Operating Budget

The District is required by state law to adopt an annual operating budget. The Board of Directors approves the original budget and any amendments, and maintains the legal level of control at the line item level. The budget is prepared on the accrual basis of accounting. All appropriations lapse at the end of the year.

Compensated Absences

The District's full-time employees are granted vacation leave in varying amounts. In the event of termination, the employee is paid for any unused vacation leave.

Use of Restricted/Unrestricted Net Position

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

EMERGENCY COMMUNICATIONS DISTRICT OF
ANDERSON COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

NOTE C - CASH

Cash represents money on deposit in various banks. The District considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

State of Tennessee law authorizes the District to invest in obligations of the United States or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the State of Tennessee Local Government Investment Pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

As of June 30, 2013, \$784,469 of the District's bank balance of \$1,284,469 was exposed to custodial credit risk because it was uninsured through the Federal Deposit Insurance Corporation and collateralized with securities held by the pledging bank. The market value of the collateral pledged did not equal to 105 percent of the uninsured amount of the deposit by \$22,313.

NOTE D - LEASES

The District occupies facilities provided by Anderson County, Tennessee on a month-to-month basis without charge.

NOTE E – COMMITMENTS AND CONTINGENCIES

As of June 30, 2013, The District entered into contracts totaling \$591,088 for the purchase of new equipment. No expenditures had been made as of June 30, 2013.

EMERGENCY COMMUNICATIONS DISTRICT OF
ANDERSON COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

NOTE F – CAPITAL ASSETS

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

	<u>Balance</u> <u>7/1/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/13</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 372,383	\$ 107,386	\$ (70,597)	\$ 409,172
Furniture and fixtures	47,369	0	0	47,369
Office equipment	22,862	1,844	0	24,706
Vehicle	19,425	0	0	19,425
Leasehold improvements	57,067	13,503	(5,016)	65,554
Other fixed assets	<u>71,848</u>	<u>6,000</u>	<u>0</u>	<u>77,848</u>
	590,954	128,733	(75,613)	644,073
<u>Accumulated depreciation</u>				
Communications equipment	(239,273)	(24,249)	68,542	(194,979)
Furniture and fixtures	(38,962)	(4,870)	0	(43,832)
Office equipment	(408)	0	0	(408)
Vehicle	(19,425)	0	0	(19,425)
Leasehold improvements	(21,088)	(2,381)	3,280	(20,188)
Other fixed assets	<u>(70,605)</u>	<u>(1,345)</u>	<u>0</u>	<u>(71,951)</u>
	<u>(389,760)</u>	<u>(32,846)</u>	<u>71,823</u>	<u>(350,784)</u>
	<u>\$ 201,193</u>	<u>\$ 95,887</u>	<u>\$ (3,790)</u>	<u>\$ 293,290</u>

NOTE G - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss, including general liability and workers' compensation coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

EMERGENCY COMMUNICATIONS DISTRICT OF
ANDERSON COUNTY, TENNESSEE

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

Year Ended June 30, 2013

	Actual	Budget	Variance Over (Under)
OPERATING REVENUE			
Emergency telephone service charges	\$ 76,433	\$ 78,000	\$ (1,567)
TECB-shared wireless charge	95,898	87,000	8,898
TECB-operational funding	235,930	209,716	26,214
TOTAL OPERATING REVENUE	408,260	374,716	33,544
OPERATING EXPENSES			
Salaries and wages:			
Administration personnel	60,936	68,100	(7,164)
Part-time personnel	6,094	800	5,294
	67,031	68,900	(1,869)
Employee benefits:			
Social security	2,650	4,800	(2,150)
Medicare	892	1,250	(358)
	3,542	6,050	(2,508)
Contracted services:			
Addressing/mapping	0	5,866	(5,866)
Audit services	5,000	5,000	0
Accounting services	3,475	3,900	(425)
Fuel-vehicles	389	2,000	(1,611)
Impact payments to cities	9,900	10,000	(100)
Lease/rental-communications equipment	89,715	85,000	4,715
Maintenance agreements	18,092	20,000	(1,908)
Maintenance and repairs- building and facilities	4,264	5,000	(736)
Maintenance and repairs- communications equipment	485	1,750	(1,265)
Maintenance and repairs-office equipment	0	750	(750)

EMERGENCY COMMUNICATIONS DISTRICT OF
ANDERSON COUNTY, TENNESSEE

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2013

	Actual	Budget	Variance Over (Under)
Contracted services(continued):			
Maintenance and repairs-vehicles	23	1,750	(1,727)
Other contract services	1,034	5,000	(3,966)
	132,377	146,016	(13,639)
Supplies and materials:			
Office supplies	4,226	2,000	2,226
Other supplies and materials	1,275	3,500	(2,225)
Postage	148	300	(152)
Utilities-general telephone	4,572	5,500	(928)
Utilities-cell phones and pagers	1,749	2,000	(251)
	11,972	13,300	(1,328)
Other charges:			
Board meetings	728	1,000	(272)
Dues and memberships	1,693	1,750	(57)
Public education	0	1,200	(1,200)
Insurance	8,358	10,200	(1,842)
License and fees	978	1,250	(272)
Training expenses	7,599	10,000	(2,401)
Travel expenses	3,228	4,000	(772)
Internet charges	2,722	4,000	(1,278)
Premiums on surety bonds	1,463	1,850	(388)
	26,769	35,250	(8,481)
Depreciation expense	32,846	90,000	(57,154)
TOTAL OPERATING EXPENSES	274,536	359,516	(84,980)
INCOME FROM OPERATIONS	133,724	15,200	118,524

EMERGENCY COMMUNICATIONS DISTRICT OF
ANDERSON COUNTY, TENNESSEE

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2013

	Actual	Budget	Variance Over (Under)
NONOPERATING REVENUE(EXPENSE)			
Other TECB funding	124,034	110,810	13,224
Interest income	5,384	6,000	(616)
Loss on disposal of assets	(3,790)	0	(3,790)
	<u>125,628</u>	<u>116,810</u>	<u>8,818</u>
CHANGE IN NET POSITION	259,351	132,010	127,341
NET POSITION AT THE BEGINNING OF THE YEAR	<u>1,428,717</u>	<u>1,428,717</u>	<u>0</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 1,688,069</u>	<u>\$ 1,560,727</u>	<u>\$ 127,341</u>

See the accompanying independent accountants' audit report.

EMERGENCY COMMUNICATIONS DISTRICT OF
ANDERSON COUNTY, TENNESSEE

BOARD OF DIRECTORS

June 30, 2013

Mark Lucas
James Shetterly
Duane Stooksbury
Kenny Morgan
Danny Humphrey
Nathan Sweet
Terry Frank
Jerry Creasey
Gary Long

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' 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*

Board of Directors
Emergency Communications District of
Anderson County, Tennessee
Clinton, 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 Emergency Communications District of Anderson County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Emergency Communications District of Anderson County, Tennessee'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 Emergency Communications District of Anderson County, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of Emergency Communications District of Anderson County, Tennessee'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Emergency Communications District of Anderson County, Tennessee's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

We did identify one deficiency in internal control that we consider to be a significant deficiency. This finding is described in the accompanying schedule of finding, recommendation and management response as item 2013-A-1.

Compliance and Other Matters

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

Emergency Communications District of Anderson County, Tennessee's Response to the Finding

Emergency Communications District of Anderson County, Tennessee's response to the finding identified in our audit is described in the accompanying schedule of finding, recommendation and management response. Emergency Communications District of Anderson County, Tennessee's response was not subject 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 Emergency Communications District of Anderson County, Tennessee's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Emergency Communications District of Anderson County, Tennessee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Mitchell Emert & Hill".

October 16, 2013

EMERGENCY COMMUNICATIONS DISTRICT OF
ANDERSON COUNTY, TENNESSEE

FINDING, RECOMMENDATION AND MANAGEMENT RESPONSE

Year Ended June 30, 2013

Finding Number 2013-A-1 - Capital Assets

Finding: The property and equipment depreciation schedule prepared by the District's outside accountant did not agree with the balances recorded on the general ledger. Equipment with a cost of \$27,822 was disposed of in prior years and had not been removed from the property and equipment schedule. In addition, \$21,917 of computer equipment capitalized in the current year was incorrectly recorded as leasehold improvements.

The useful lives of some of the District's property and equipment exceed the guidelines listed in the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* published by the Comptroller of the Treasury. Communications equipment is being depreciated over 25 years when the maximum length for equipment per the guidelines is 10 years.

An adjusting journal entry was proposed and accepted by management to correct the above differences.

Recommendation: Management should reconcile the property and equipment schedule to the amounts recorded in the general ledger. Any discrepancies should be investigated and resolved in a timely manner.

Management should ensure that the useful lives of the District's property and equipment are in compliance with the guidelines listed in the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*, or document any justification for an alternate useful life.

Management's Response: Management concurs with the above finding. The depreciation schedule and general ledger have been corrected to properly classify computer equipment purchased in the amount of \$21,917 and equipment disposed of in prior periods in the amount of \$27,822. Communication equipment being depreciated over 25 years has been changed to a life of 10 years in accordance with guidelines listed in the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*. This resolves all issues of the audit finding listed above.