

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee

FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

Maryville, Tennessee  
June 30, 2013 and 2012

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**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee

INTRODUCTORY SECTION

June 30, 2013 and 2012



**Emergency Communications District  
Of Blount County, TN  
P. O. Box 4609  
Maryville, Tennessee 37802-4609**

October 28, 2013

To the County Mayor,  
Members of the Board of Commissioners,  
and Citizens of Blount County, Tennessee

Annual Financial Report

The annual financial report of the Emergency Communications District of Blount County, Tennessee (a component unit of Blount County, Tennessee) (the "District") for the fiscal years ended June 30, 2013 and 2012, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The annual financial report is presented in three sections: introductory, financial and supplemental. The introductory section includes this transmittal letter and list of official management and board members. The financial section includes, as required by Governmental Accounting Standards Board Statement No. 34, the report of the independent auditors, the management discussion and analysis, the basic financial statements. Supplemental information is included in section three.

The District was established by a resolution of the Blount County Board of Commissioners in April 1986, and subsequently approved by the voters of Blount County, pursuant to the provisions of Tennessee Public Acts of 1984, Chapter 867. The District began operations in March 1987. The District is governed by nine (9) directors appointed by the Blount County Board of Commissioners. The District's Board employs directors and staff to conduct the daily business of the organization.

The purpose of the District is the operations of the number 911 as a single emergency telephone number through which emergency service can be quickly and efficiently obtained. The 911 system is intended to provide a simplified means of securing emergency services which will result in saving of life, a reduction in the destruction of property, quicker apprehension of criminals, and ultimately the saving of money.

Risk Management

The District acquires commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, workers compensation and health insurance. All full-time employees are provided with traditional health care insurance that covers hospitalization and major medical expenses within specified limits.

Employees are also provided life insurance and disability insurance. In addition, employees contribute to the Tennessee Consolidated Retirement System, with a matching share being contributed by the employer.

#### Cash Management

At the end of the fiscal year, June 30, 2013, the District has \$1,263,981 in bank accounts: checking, savings, and certificates of deposit. The District sets aside excess revenue from each monthly revenue received for future capital asset acquisitions.

#### Independent Audit

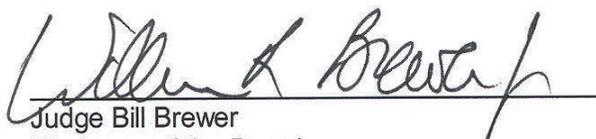
The financial statements of the District for the fiscal year ended June 30, 2013 have been audited by a firm of Independent Public Accountants, and their opinion is included in the Financial Section of this report.

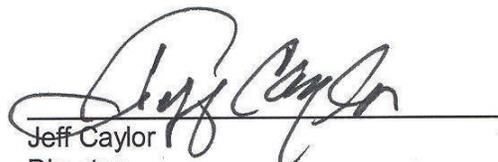
The financial statements are the responsibility of the District. The responsibility of the Independent Public Accountants is to express an opinion on the District's financial statements based on their audit. An audit is conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that the audit be planned and performed in a manner to obtain a reasonable assurance as to whether the financial statements are free of material misstatement.

#### Acknowledgements

The employees of the District are its most valuable asset. These individuals serve productively in the operations 24 hours a day, three hundred sixty-five days a year. They continuously provide quality services to the citizens of Blount County. It is to these committed individuals that this document is dedicated.

Respectively submitted,

  
\_\_\_\_\_  
Judge Bill Brewer  
Chairman of the Board

  
\_\_\_\_\_  
Jeff Caylor  
Director

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee

FINANCIAL SECTION

June 30, 2013 and 2012



Joe S. Ingram, CPA (1948 – 2011)  
Lonas D. Overholt, CPA  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Emergency Communications District  
of Blount County, Tennessee  
Maryville, Tennessee

We have audited the accompanying financial statements of the business-type activities of the Emergency Communications District of Blount County, Tennessee, a component unit of Blount County, Tennessee, as of and for the years ended June 30, 2013 and 2012, 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 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 opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Emergency Communications District of Blount County, Tennessee, as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 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 Emergency Communications District of Blount County, Tennessee's basic financial statements. The introductory section and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relate 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 supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013, on our consideration of the Emergency Communications District of Blount County, Tennessee'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 Emergency Communications District of Blount County, Tennessee's internal control over financial reporting and compliance.

*Ingram, Overholt & Bean, P. C.*

Alcoa, Tennessee  
October 28, 2013

**Emergency Communications District  
Of Blount County, TN  
P. O. Box 4609  
Maryville, Tennessee 37802-4609**

October 28, 2013

Our discussion and analysis of the Emergency Communications District of Blount County, Tennessee's financial performance provides an overview of the District's activities for the year ended June 30, 2013 and 2012. Please read it in conjunction with the transmittal letter and the District's financial statements, as listed in the Table of Contents.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net positions and the Statement of Revenues, Expenses and Changes in Net positions provide information about the District as a whole and present a long-term view of the District's finances.

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

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

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

**FINANCIAL HIGHLIGHTS**

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

	<u>6-30-13</u>	<u>6-30-12</u>	<u>6-30-11</u>
Telephone and Wireless company "911" fees	46.2%	48.7%	50.3%
State Emergency Communications Board			
Operational Funding	14.6%	17.3	17.2
Appropriations from Blount County, Tennessee	12.8%	15.1	15.1
Appropriations from City of Maryville, Tennessee	6.4%	7.5	7.5
Appropriations from City of Maryville, Tennessee	6.4%	7.5	7.5
Appropriations from City of Townsend, Tennessee	.2%	.3	.3
State reimbursement	12.9%	3.1	1.5
Interest income and terminal fees	.5%	.5	.6
Total funding	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Operational costs for the E911 Center were \$2,036,962 and \$1,937,237 for the fiscal years ended June 30, 2013 and 2012, respectively. The 5.4% increase was chiefly the result of depreciation from capital asset additions.

## NET POSITIONS

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current assets	\$ 1,368,696	\$ 895,295	\$ 848,439
Non-current assets	<u>3,831,264</u>	<u>4,057,128</u>	<u>3,503,537</u>
Total Assets	<u>5,199,960</u>	<u>4,952,423</u>	<u>4,351,976</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Current liabilities	189,860	93,922	112,180
Long-term obligations	<u>1,671,291</u>	<u>1,766,861</u>	<u>1,162,201</u>
Total Liabilities	<u>1,861,151</u>	<u>1,860,783</u>	<u>1,274,381</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:			
Invested in capital assets, net of related debt	2,054,421	2,235,393	2,290,913
Unrestricted	<u>1,284,388</u>	<u>850,153</u>	<u>786,682</u>
Total Net Position	<u>\$ 3,338,809</u>	<u>\$ 3,085,546</u>	<u>\$ 3,077,595</u>
Total Revenues	\$ 2,360,913	\$ 2,008,472	\$ 2,007,529
Total Expenses	<u>2,107,650</u>	<u>2,000,521</u>	<u>2,138,903</u>
Change in Net Position	<u>\$ 253,263</u>	<u>\$ 7,951</u>	<u>\$ (131,374)</u>

Net position of the District increased by 8.2% during the current year. The unrestricted portion, the part of the position that can be used to finance day-to-day operations, increased by 5.1%.

## FINANCIAL RATIOS

The ratios of Working Capital and Days Cash demonstrate the continuing ability to finance operations with cash. The stability of the current ratio and the liabilities to net positions ratio demonstrate that the District has not financed its working capital and days cash with an increased proportion of debt. The following is a related schedule of ratios.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Working Capital (the amount by which current assets exceed liabilities)	\$1,178,836	\$ 801,373	\$ 736,259
Current Ratio (compares current assets to current liabilities – as an indicator of the ability to pay current obligations)	7.2	9.5	7.6
Days Cash and Investments (represents the number of days normal operations could continue with no revenue collections)	246	155	142
Return on Assets – illustrates to what extent there will be sufficient funds to replace assets in the future	4.8%	.2%	(3.0)%

## CAPITAL ASSETS

At the fiscal year ended June 30, 2013, the District had \$3,821,348 invested in net capital assets as outlined below. There were no significant acquisitions during the year ended June 30, 2013.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land	\$ 21,038	\$ 21,038	\$ 21,038
Buildings	2,781,718	2,857,409	2,933,100
Improvements	20,979	7,541	7,740
Communication equipment	300,715	380,124	437,611
Communication equipment under capital lease	629,100	699,000	-
Office furniture and equipment	66,924	77,384	85,523
Vehicle	<u>874</u>	<u>4,121</u>	<u>7,419</u>
Totals	<u>\$ 3,821,348</u>	<u>\$ 4,046,617</u>	<u>\$ 3,492,431</u>

## DEBT

At the fiscal year end, June 30, 2013 and 2012, the District had outstanding notes payable of \$1,117,927 and \$1,162,447, respectively. Principal repayments in the amount of \$44,520 were made during the current fiscal year. Principal amounts due in the coming fiscal year amount to \$46,426. At the fiscal year end June 30, 2013, the district had an outstanding obligation under a capital lease in the amount of \$649,000. The first payment under the lease is due July 1, 2013.

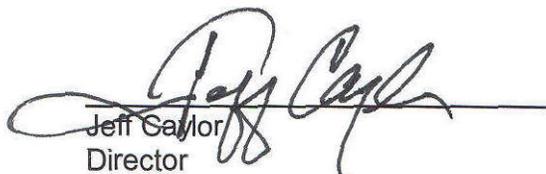
## BUDGETS

For the year ended June 30, 2013, the overall budget was not increased. However, adjustments were made between line items.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general view of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Director of the District, P. O. Box 4609, Maryville, Tennessee 37802-4609.

Respectively submitted,

  
Jeff Caylor  
Director

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
STATEMENTS OF NET POSITION  
June 30, 2013 and 2012

ASSETS	Business-type Activities	
	2013	2012
Current Assets:		
Cash	\$ 1,006,112	\$ 516,667
Certificates of Deposit	257,869	257,499
Accounts receivable	104,462	121,129
Prepaid expense	253	-
Total Current Assets	1,368,696	895,295
Non-Current Assets:		
Capital Assets:		
Depreciable capital assets, net of depreciation	3,800,310	4,025,579
Land	21,038	21,038
Deferred loan costs	9,916	10,511
Total Non-Current Assets	3,831,264	4,057,128
Total Assets	5,199,960	4,952,423
DEFERRED OUTFLOWS OF RESOURCES	-	-
LIABILITIES		
Current Liabilities:		
Accounts payable	10,823	9,243
Accrued payroll and related benefits	52,933	40,093
Accrued interest	30,468	6,094
Current portion of long-term obligations	95,636	44,586
Total Current Liabilities	189,860	100,016
Non-Current Liabilities:		
Non-Current portion of long-term obligations	1,671,291	1,766,861
Total Liabilities	1,861,151	1,866,877
DEFERRED INFLOWS OF RESOURCES	-	-
NET POSITION:		
Invested in capital assets	2,054,421	2,235,393
Unrestricted	1,284,388	850,153
Total Net position	\$ 3,338,809	\$ 3,085,546

See accompanying independent auditors' report and notes to the basic financial statements.

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

Maryville, Tennessee

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Fiscal Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Emergency Telephone Service Revenue	\$ 788,017	\$ 688,425
State Emergency Communications Board:		
Shared Wireless Revenue	302,346	286,327
Operational Funding	<u>345,147</u>	<u>345,113</u>
Total Operating Revenues	<u>1,435,510</u>	<u>1,319,865</u>
<b>OPERATING EXPENSES:</b>		
Salaries	1,065,068	1,057,634
Employee benefits	425,557	402,065
Contracted services	160,137	168,122
Supplies and materials	88,638	88,765
Other charges	57,832	50,893
Depreciation	239,135	169,163
Amortization	<u>595</u>	<u>595</u>
Total Operating Expenses	<u>2,036,962</u>	<u>1,937,237</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(601,452)</u>	<u>(617,372)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Contributions from local governments	610,364	610,365
State reimbursement	304,575	59,836
Interest income	5,468	5,004
Terminal fees	4,996	4,508
Interest expense	<u>(70,688)</u>	<u>(54,390)</u>
Total Non-Operating Revenues	<u>854,715</u>	<u>625,323</u>
Change in Net Position	253,263	7,951
<b>NET POSITION – BEGINNING OF YEAR</b>	<u>3,085,546</u>	<u>3,077,595</u>
<b>NET POSITION – END OF YEAR</b>	<u>\$ 3,338,809</u>	<u>\$ 3,085,546</u>

See accompanying independent auditors' report and notes to the basic financial statements.

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**STATEMENTS OF CASH FLOWS**  
For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts for telephone usage fees	\$ 1,107,030	\$ 977,197
Other Operating Receipts	345,147	345,113
Payments to suppliers	(300,284)	(316,331)
Payments for salaries and fringe benefits	<u>(1,477,785)</u>	<u>(1,452,205)</u>
Net Cash Provided(Used) by Operating Activities	<u>(325,892)</u>	<u>(446,226)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(13,866)	(74,349)
Repayment of debt	(44,520)	(39,071)
Interest paid	<u>(46,314)</u>	<u>(48,296)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(104,700)</u>	<u>(161,716)</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>		
Contributions from local governments	610,364	610,365
State Reimbursement	<u>304,575</u>	<u>59,836</u>
Net Cash Provided from Non Capital Financing Activities	<u>914,939</u>	<u>670,201</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on cash deposits and certificates of deposit	5,468	5,004
Purchase of Certificates of Deposits	<u>(370)</u>	<u>(518)</u>
Net Cash Provided from Investing Activities	<u>5,098</u>	<u>4,486</u>
Net Change in Cash	489,445	66,745
Cash at Beginning of Year	<u>516,667</u>	<u>449,922</u>
Cash at End of Year	<u>\$ 1,006,112</u>	<u>\$ 516,667</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (601,452)	\$ (617,372)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Cash flows reported in other categories:		
Depreciation and amortization expense	239,730	169,758
Terminal fees	4,996	4,508
Change in assets and liabilities:		
Receivables	16,667	2,445
Prepaid expenses	(253)	17,962
Accounts payable	1,580	(31,045)
Accrued expenses	<u>12,840</u>	<u>7,518</u>
Net cash provided (used) by operating activities	<u>\$ (325,892)</u>	<u>\$ (446,226)</u>
<b>NONCASH ACTIVITY</b>		
Equipment acquired from capital lease	<u>\$ -</u>	<u>\$ 649,000</u>

See accompanying independent auditors' report and notes to the basic financial statements.

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Years Ended June 30, 2013 and 2012

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**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District complies with accounting principles generally accepted in the United States of America (GAAP). The District uses the required *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* effective July 1, 2008. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**A. FINANCIAL REPORTING ENTITY**

The Emergency Communications District of Blount County, Tennessee (formerly Blount County Emergency Communications District) (911), a component unit of Blount County, Tennessee, was established by a resolution of the Blount County Board of Commissioners in April, 1986, and subsequently approved by the voters of Blount County, pursuant to the provisions of Tennessee Public Acts of 1984, Chapter 867. The District began operations in March 1987.

The District is governed by nine (9) directors appointed by the Blount County Board of County Commissioners. Before the issuance of most debt instruments, the District must obtain the approval of the Blount County Board of County Commissioners. The District's Board employs coordinators and staff to conduct the daily business of the organization.

The purpose of the Emergency Communications District of Blount County, Tennessee (formerly Blount County Emergency Communications District) is the operations of the number 911 as a single emergency telephone number through which emergency service can be quickly and efficiently obtained. The 911 system is intended to provide a simplified means of securing emergency services which will result in saving of life, a reduction in the destruction of property, quicker apprehension of criminals, and ultimately the saving of money.

**B. BASIS OF PRESENTATION**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities in accordance with special regulations, restrictions or limitations. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position display information about the reporting District as a whole. The statements present the District as a business-type activity. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity on net income measurement similar to the private sector.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, business-like activities are presented using the economic resources measurement focus as defined below.

The proprietary fund utilizes an “economic resources” measurement focus. The accounting objective of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, liabilities (whether current or noncurrent), deferred outflows of resources, and deferred inflows of resources associated with their activities are reported. Proprietary fund equity is classified as net position.

**Basis of Accounting**

In the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, a business-like activity (proprietary type) is presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Allocations of costs such as depreciation are recorded in proprietary funds.

**D. ASSETS, LIABILITIES, AND EQUITY**

**Cash and Investments**

For the purpose of the Statement of Net Position, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the District. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments, if applicable, are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

(Continued)

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

Maryville, Tennessee

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2013 and 2012

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. ASSETS, LIABILITIES, AND EQUITY (Continued)**

**Receivables**

In the basic financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the District activities include emergency telephone service revenue and rent earned.

**Capital Assets and Depreciation**

In the basic financial statements, fixed assets are accounted for and capitalized as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net positions. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 – 50 years
Improvements	10 – 50 years
Machinery and equipment	03 – 20 years

**Compensated Absences**

The District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. At June 30, 2013 and 2012 the District had no liability for compensated absences or accumulated sick leave. Vacation days are required to be used during each fiscal year with no carry-over to future periods.

**Equity Classifications**

Equity is classified as net position and displayed in two components:

- a. Net Position invested in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Unrestricted net positions – All other assets, liabilities, deferred outflows of resources, and deferred inflows of resources that do not meet the definition of "restricted" or "invested in capital assets are classified as unrestricted.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. ASSETS, LIABILITIES, AND EQUITY (Continued)**

**Equity Classifications (Continued)**

Deferred inflows and deferred outflows of resources that are attributable to the acquisition, construction or improvement of capital assets are also included as a component of net position invested in capital assets.

**E. REVENUES AND EXPENSES**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

**Operating Revenues/Expenses**

Operating revenues and expenses generally result from providing services in connection with the proprietary fund's ongoing operations.

The principal operating revenue of the District is established by "tariff rate", a flat monthly recurring telephone charge for one-party residence and another rate for business exchange access service within the base rate area governed by the boundaries of the District. Revenue is collected by telephone service providers and remitted monthly to the District. Rates were \$1.50 for one-party residence lines and \$3.00 for business exchange access service. Wireless fees are collected and remitted bi-monthly to the District through the State of Tennessee.

Operating expenses include salaries, employee benefits, contracted services, supplies and materials, other changes, and depreciation on capital assets. In the financial statements, expenses are classified by function for business-type activities by operating and non-operating.

**Non-operating Revenues/Expenses**

Non-operating revenues/expenses are all other revenues and expenses not meeting the definition of operating revenues/expenses above. The District's principal non-operating revenues are rent, terminal fees, local government appropriations, and interest income.

**F. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as an Emergency Communications District (E-911) unit, the entity is subject to various federal, state, and local laws and contractual regulations. An analysis of the entity's compliance with significant laws and regulations and demonstration of its stewardship over entity resources follows.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013 and 2012

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**Fund accounting requirements**

The E-911 complies with all state and local laws and regulations pertaining to Emergency Communications Districts as prescribed in the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* issued by the State of Tennessee, Comptroller of the Treasury, Division of County Audit, effective July 1, 2008.

**Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Annual Budget**

An annual budget is adopted by the District, approved by the Board of Directors, and submitted to the Tennessee Emergency Communications Board. The budget is based on expected expenses and estimated revenue resources. The budgetary basis is the accrual basis of accounting. If changes to estimated amounts become evident during the fiscal year, the District Board may amend the budget. All budget items lapse at the end of the fiscal year. Budgetary comparison schedules are presented in the supplemental section. As required by the *Accounting and Reporting Manual for Tennessee Emergency Communications Districts*, the legal level of budgetary control is at the line item level.

**G. Implementation of New Accounting Standards**

The Governmental Accounting Standards Board (GASB) issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

(Continued)

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

Maryville, Tennessee

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2013 and 2012

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Implementation of New Accounting Standards (Continued)**

In addition, the GASB has issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. Since this Statement closely correlates to Statement No. 63, the District has elected to early implement the provisions of this statement.

**NOTE 2 – CASH**

In order to provide a safe temporary medium for investment of idle funds, districts are authorized by TCA 6-56-106 to invest in the following:

- (1) Bonds, notes, or treasury bills of the United States;
- (2) Non-convertible debt securities of certain issuers;
- (3) Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;
- (4) Certificates of Deposit at state and federal chartered banks and savings and loans associations;
- (5) Obligations of the United States or its agencies under a repurchase agreement if approved as an authorized investment by the State Director of Local Finance;
- (6) Money market funds whose portfolios consist of any of the foregoing investments if approved as an authorized investment by the State Director of Local Finance; and
- (7) The Local Government Investment Pool under which local monies are transferred to and invested with the State Treasurer's cash portfolio.

Cash includes bank balances and certificates of deposit that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

**Interest Rate Risk** - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

**Credit Risk** – It is the District's policy to minimize custodial credit risk associated with cash deposits by utilizing financial institutions that issue deposits through the Federal Deposit Insurance Corporation and participate in the Tennessee State Collateral Pool. In addition, other investment credit risk losses are minimized by limiting investments to the safest types of securities.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

**NOTE 3 – CAPITAL ASSETS AND DEPRECIATION**

All capital assets are valued at historical cost. Depreciation is provided over the assets estimated useful lives using the straight-line basis. Changes in fixed assets and depreciation are as follows:

**FISCAL YEAR ENDED JUNE 30, 2013:**

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2013</u>	Accumulated <u>Depreciation</u>	Net Value <u>June 30, 2013</u>
<b>NONDEPRECIABLE:</b>						
Land	\$ 21,038	\$ -	\$ -	\$ 21,038	\$ -	\$ 21,038
<b>DEPRECIABLE:</b>						
Building	3,027,613	-	-	3,027,613	245,895	2,781,718
Building improvements	7,990	13,866	-	21,856	877	20,979
Communication equipment	941,548	-	-	941,548	640,833	300,715
Communication equipment under capital lease	699,000	-	-	699,000	69,900	629,100
Office equipment and furniture	204,304	-	-	204,304	137,380	66,924
Vehicle	16,486	-	-	16,486	15,612	874
	<u>4,896,941</u>	<u>13,866</u>	<u>-</u>	<u>4,910,807</u>	<u>1,110,497</u>	<u>3,800,310</u>
Totals	<u>\$ 4,917,979</u>	<u>\$ 13,866</u>	<u>\$ -</u>	<u>\$ 4,931,845</u>	<u>\$ 1,110,497</u>	<u>\$ 3,821,348</u>

**FISCAL YEAR ENDED JUNE 30, 2012:**

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2012</u>	Accumulated <u>Depreciation</u>	Net Value <u>June 30, 2012</u>
<b>NONDEPRECIABLE:</b>						
Land	\$ 21,038	\$ -	\$ -	\$ 21,038	\$ -	\$ 21,038
<b>DEPRECIABLE:</b>						
Building	3,027,613	-	-	3,027,613	170,204	2,857,409
Building improvements	7,990	-	-	7,990	449	7,541
Communication equipment	919,416	22,132	-	941,548	561,424	380,124
Communication equipment under capital lease	-	699,000	-	699,000	-	699,000
Office equipment and furniture	202,087	2,217	-	204,304	126,920	77,384
Vehicle	16,486	-	-	16,486	12,365	4,121
	<u>4,173,592</u>	<u>723,349</u>	<u>-</u>	<u>4,896,941</u>	<u>871,362</u>	<u>4,025,579</u>
Totals	<u>\$ 4,194,630</u>	<u>\$ 723,349</u>	<u>\$ -</u>	<u>\$ 4,917,979</u>	<u>\$ 871,362</u>	<u>\$ 4,046,617</u>

Depreciation expense for the fiscal year ended June 30, 2013 and 2012 amounted to \$239,135 and \$169,163, respectively.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013 and 2012

**NOTE 4 – LONG-TERM OBLIGATIONS**

Long-term obligations consist of the following:

	June 30, 2013		
	Current	Noncurrent	Total
Note payable	\$ 46,426	\$ 1,071,501	\$ 1,117,927
Capital Lease Obligation	49,210	599,790	649,000
	\$ 95,636	\$ 1,671,291	\$ 1,766,927
	June 30, 2012		
	Current	Noncurrent	Total
Note payable	\$ 44,586	\$ 1,117,861	\$ 1,162,447
Capital Lease Obligation	-	649,000	649,000
	\$ 44,586	\$ 1,766,861	\$ 1,811,447

**A. NOTE PAYABLE**

During the fiscal year ended June 30, 2010, the District borrowed funds in the amount of \$1,250,000 to finance the construction of a new communications facility. Note principal and interest payments are due in monthly installments of \$7,614 beginning May 15, 2010. The note bears interest at 4% and matured July 15, 2011. Subsequent to June 30, 2011, the note was renewed. Monthly principal and interest payments of \$7,569 were due beginning August 15, 2011. The note matures July 15, 2014. Debt maturities detailed below are based on the modified loan.

Changes in Notes Payable are as follows:

	Year Ended June 30	
	2013	2012
Beginning Balance	\$ 1,162,447	\$ 1,201,518
Note Proceeds	-	-
Note Repayments	(44,520)	(39,071)
Ending Balance	\$ 1,117,927	\$ 1,162,447

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013 and 2012

**NOTE 4 – LONG-TERM OBLIGATIONS (Continued)**

A. NOTE PAYABLE (Continued)

Debt maturities are as follows:

Year Ending <u>June 30,</u>	Total Note Requirements	Principal	Interest
2014	\$ 90,834	\$ 46,426	\$ 44,408
2015	<u>1,075,073</u>	<u>1,071,501</u>	<u>3,572</u>
Totals	<u>\$ 1,165,907</u>	<u>\$ 1,117,927</u>	<u>\$ 47,980</u>

Total interest incurred during the year ended June 30, 2013 was \$46,314. Total interest incurred during the year ended June 30, 2012 was \$48,296.

B. CAPITAL LEASE PAYABLE

During the fiscal year ended June 30, 2011, Blount County acquired certain emergency communication equipment to be utilized by the County and the Cities of Maryville and Alcoa. Rather than “patching” the district’s emergency communication equipment to interface with the County’s equipment, it was determined that the district would acquire new equipment that was compatible with that used by the county and the cities.

On April 1, 2012, the District entered into a lease agreement to acquire this communication equipment. The district paid \$50,000 down and financed the remaining balance of \$649,000 through a capital lease.

The lease calls for ten (10) equal payments of \$79,678 beginning July 1, 2013.

<u>Present Value of Minimum Lease payments</u>	<u>Interest</u>	<u>Total Minimum Lease Payments</u>
<u>\$ 649,000</u>	<u>\$ 147,780</u>	<u>\$ 796,780</u>

These total minimum lease payments are payable as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2014	\$ 79,678
2015	79,678
2016	79,678
2017	79,678
2018	79,678
2019 – 2023	<u>318,712</u>
	<u>\$ 796,780</u>

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

**NOTE 4 – LONG-TERM OBLIGATIONS (Continued)**

B. CAPITAL LEASE PAYABLE (Continued)

Interest is accrued monthly on the obligation. Interest expense for the years ended June 30, 2013 and 2012 was \$24,374 and \$6,094, respectively.

**NOTE 5 – COMMITMENT – AT&T**

AT&T (formerly BellSouth) furnishes Stand Alone Location Identification (SALI) equipment to the District at the rates prescribed by the tariffs of the Tennessee Public Service Commission (TPSC). These rates charged by AT&T vary with increases or decreases mandated by the TPSC, and for the Per 1000 Access Lines Served for the Combined Automatic Number and SALI. The access charge is based upon the maximum number of access lines in service during the calendar year and is adjusted annually at the end of each calendar year.

The lease term with AT&T is indefinite as to time and is currently at a rate of \$7,044 per month.

**NOTE 6 – EMPLOYEES' RETIREMENT PLAN**

**Plan Description:**

Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS) through the City of Maryville. TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five (5)-year average salary and years of service. Members become eligible to retire at the age of sixty (60) with ten (10) years of service or at any age with thirty (30) years of service. A reduced retirement benefit is available to vested members at the age of fifty-five (55). Disability benefits are available to active members with five (5) 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 ten (10) years of service and members joining prior to July 1, 1979 were vested after four (4) 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 the Emergency Communications District of Blount County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to 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/>.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

**NOTE 6 – EMPLOYEES' RETIREMENT PLAN (Continued)**

**Funding Policy:**

The District requires employees to contribute 5.00% of earnable compensation.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 11.54% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost:**

For the years ending June 30, 2013 and 2012, the District's annual pension cost of \$122,974 and \$122,568 to TCRS was equal to their 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% a year compounded annually; (b) projected 3.0% annual rate of inflation; (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries); (d) projected 3.5% annual increase in the Social Security wage base; and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a ten (10)-year period.

The 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 eight (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>
6/30/13	\$ 122,974	100.00%	\$ -
6/30/12	122,568	100.00%	-
6/30/11	123,812	100.00%	-

Since the District participates in the Plan through the City of Maryville, information is not available for the District's portion of the funded status and funding progress.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2013 and 2012

**NOTE 7 – RISK FINANCING ACTIVITIES**

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, and employee health insurance. Settled claims have not exceeded commercial coverage in any of the past three (3) fiscal years.

**NOTE 8 – LITIGATION**

On October 14, 2011 a lawsuit was filed in Blount County Circuit Court naming the District as one of several defendants. The plaintiff is alleging that negligence on the part of the defendants lead to his mother's death and is seeking damages in the amount of ten million dollars. While the suit is in its early stages, management believes it is without merit and intends to vigorously defend itself. The District's insurance carrier is providing legal representation.

**NOTE 9 – SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2013, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is October 28, 2013, which is the date on which the financial statements were issued.

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee

SUPPLEMENTAL INFORMATION  
June 30, 2012

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITIONS – BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2013 Actual</u>	Variance with Final Budget - Positive (Negative)
<b>OPERATING REVENUES:</b>				
Emergency Telephone Service Charge	\$ 875,000	\$ 875,000	\$ 788,017	\$ (86,983)
State Emergency Communications Board - Shared Wireless Revenue	280,000	280,000	302,346	22,346
Operating Funding	<u>375,095</u>	<u>375,095</u>	<u>345,147</u>	<u>(29,948)</u>
Total Operating Revenues	<u>1,530,095</u>	<u>1,530,095</u>	<u>1,435,510</u>	<u>(94,585)</u>
<b>OPERATING EXPENSES:</b>				
<b>Salaries and Wages:</b>				
Director/Assistant Director	125,874	125,874	123,297	2,577
Administrative Personnel	127,340	117,340	115,538	1,802
Dispatchers	602,236	595,636	594,823	813
Dispatch Supervisors	150,007	150,007	147,857	2,150
Data Processing Personnel	81,767	83,016	83,016	-
Overtime	<u>10,000</u>	<u>5,104</u>	<u>537</u>	<u>4,567</u>
Total Salaries and Wages	<u>1,097,224</u>	<u>1,076,977</u>	<u>1,065,068</u>	<u>11,909</u>
<b>Employee Benefits:</b>				
Social Security taxes	68,027	68,027	64,530	3,497
Medicare taxes	15,910	15,225	15,092	133
Employee Insurance	221,631	222,483	222,226	257
Unemployment compensation taxes	1,200	1,033	735	298
Retirement Contributions	<u>128,000</u>	<u>123,207</u>	<u>122,974</u>	<u>233</u>
Total Employee Benefits	<u>434,768</u>	<u>429,975</u>	<u>425,557</u>	<u>4,418</u>
<b>Contracted Services:</b>				
Address/Mapping Services	400	59	-	59
Audit Services	8,400	8,500	8,500	-
Accounting Services	4,800	4,800	4,800	-
Janitorial Service	12,000	12,090	12,090	-
Legal Services	500	651	651	-
NCIC/TBI/TIES Services	2,224	2,240	2,240	-
Service Providers	8,800	8,800	6,549	2,251
Pest Control	800	784	756	28
Communications Equipment	89,688	81,228	80,988	240
Radio Consoles	2,000	1,440	604	836
Lawn Maintenance	1,800	2,360	2,360	-
Maintenance Agreements	31,000	33,998	33,998	-

See accompanying independent auditors' report and notes to the basic financial statements.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITIONS – BUDGET AND ACTUAL (Continued)**  
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2013 Actual</u>	Variance with Final Budget Positive (Negative)
OPERATING EXPENSES (Continued):				
Contracted Services (Continued):				
Building Maintenance/Repairs	6,000	5,682	4,971	711
Language Line	-	318	318	-
Vehicle	<u>2,500</u>	<u>2,500</u>	<u>1,312</u>	<u>1,188</u>
Total Contracted Services	<u>170,912</u>	<u>165,450</u>	<u>160,137</u>	<u>5,313</u>
Supplies and Materials:				
Postage, Printing and Copies	1,000	1,000	893	107
Office Supplies	15,000	18,647	18,647	-
Electric	42,000	42,166	42,166	-
Propane gas	3,000	1,883	1,569	314
Water	2,700	3,131	2,828	303
Cell Phones and Pagers	4,200	4,222	4,222	-
Telephone	<u>20,000</u>	<u>19,547</u>	<u>18,313</u>	<u>1,234</u>
Total Supplies and Materials	<u>87,900</u>	<u>90,596</u>	<u>88,638</u>	<u>1,958</u>
Other Charges:				
Dues and Memberships	3,000	3,000	2,709	291
Travel and Training Expense	9,500	9,083	8,401	682
Employee Testing	350	577	577	-
Service Awards	750	750	736	14
Internet	13,800	18,593	18,593	-
Liability Insurance	7,500	12,962	12,962	-
Commercial Property Insurance	8,500	9,046	9,046	-
Workmen's Compensation Insurance	4,000	4,000	3,345	655
Surety Bonds	<u>1,500</u>	<u>1,500</u>	<u>1,463</u>	<u>37</u>
Total Other Charges	<u>48,900</u>	<u>59,511</u>	<u>57,832</u>	<u>1,679</u>
Depreciation	<u>223,400</u>	<u>240,000</u>	<u>239,135</u>	<u>865</u>
Amortization	<u>-</u>	<u>595</u>	<u>595</u>	<u>-</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>2,063,104</u>	<u>2,063,104</u>	<u>2,036,962</u>	<u>26,142</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(533,009)</u>	<u>(533,009)</u>	<u>(601,452)</u>	<u>(68,443)</u>

See accompanying independent auditors' report and notes to the basic financial statements.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITIONS – BUDGET AND ACTUAL (Continued)**  
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2013 Actual</u>	Variance with Final Budget Positive (Negative)
Non-operating Revenues (Expenses):				
Contributions from Primary				
Governments:				
Blount County, Tennessee	302,133	302,133	302,132	(1)
City of Maryville, Tennessee	151,066	151,066	151,064	(2)
City of Maryville, Tennessee	151,066	151,066	151,064	(2)
City of Townsend, Tennessee	6,104	6,104	6,104	-
State Emergency Communications				
Board Grant	-	-	304,575	304,575
Interest Income	15,000	15,000	5,468	(9,532)
Terminal Fees	6,000	6,000	4,996	(1,004)
Interest expense	<u>(74,400)</u>	<u>(74,400)</u>	<u>(70,688)</u>	<u>3,712</u>
Total Non-operating Revenues				
(Expenses)	<u>556,969</u>	<u>556,969</u>	<u>854,715</u>	<u>297,746</u>
CHANGE IN NET POSITION	23,960	23,960	253,263	229,303
NET POSITION – BEGINNING OF YEAR	<u>3,085,546</u>	<u>3,085,546</u>	<u>3,085,546</u>	<u>-</u>
NET POSITION – END OF YEAR	<u>\$3,109,506</u>	<u>\$3,109,506</u>	<u>\$3,338,809</u>	<u>\$ 229,303</u>

See accompanying independent auditors' report and notes to the basic financial statements.

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**SCHEDULE OF INSURANCE IN FORCE**  
June 30, 2013

<u>Insurance Company</u>	<u>Policy Number</u>	<u>Period</u>	<u>Description</u>
Tennessee Municipal League Risk Management Pool	TML-0381-03	11-23-12 to 11-23-13	General Liability: \$300,000 per person for bodily injury \$700,000 per occurrence for bodily injury \$100,000 per occurrence for property damage \$1,000,000 per occurrence for each other loss
Westfield Companies	CWP-3-692-320	3-31-12 to 3-31-13	Commercial Property Coverage: Building and Contents - \$2,602,500, \$1,000 Deductible; Other – Tower and 911 System - \$48,000, \$1,000 Deductible

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**SCHEDULE OF CHANGES IN CAPITAL ASSETS**  
June 30, 2013

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>	<u>Accumulated Depreciation</u>	<u>Net Value June 30, 2013</u>
<b>NONDEPRECIABLE:</b>						
Land	\$ 21,038	\$ -	\$ -	\$ 21,038	\$ -	\$ 21,038
<b>DEPRECIABLE:</b>						
Building	3,027,613	-	-	3,027,613	245,895	2,781,718
Building improvements	7,990	13,866	-	21,856	877	20,979
Communication equipment	941,548	-	-	941,548	640,833	300,715
Communication equipment under capital lease	699,000	-	-	699,000	69,900	629,100
Office equipment and furniture	204,304	-	-	204,304	137,380	66,924
Vehicle	16,486	-	-	16,486	15,612	874
	<u>4,896,941</u>	<u>13,866</u>	<u>-</u>	<u>4,910,807</u>	<u>1,110,497</u>	<u>3,800,310</u>
<b>Totals</b>	<u>\$ 4,917,979</u>	<u>\$ 13,866</u>	<u>\$ -</u>	<u>\$ 4,931,845</u>	<u>\$ 1,110,497</u>	<u>\$ 3,821,348</u>

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
June 30, 2013

<u>Program Name</u>	<u>Grant/Contract Number</u>	<u>Grantor Agency</u>	<u>Balance 7-1-12</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance 6-30-13</u>
Training Reimbursement Program	N/A	Tennessee Emergency Communications Board	\$ -	\$ 20,000	\$ 20,000	\$ -
GIS Mapping Maintenance Grant	Z-03-016915	Tennessee Emergency Communications Board	-	10,000	10,000	-
GIS Tips Grant		Tennessee Emergency Communications Board	-	56,398	56,398	-
GIS Incentive Funding		Tennessee Emergency Communications Board	-	19,086	19,086	-
Generator/UPS		Tennessee Emergency Communications Board	-	120,614	120,614	-
One Time Payment		Tennessee Emergency Communications Board	-	78,477	78,477	-
Totals			<u>\$ -</u>	<u>\$ 304,575</u>	<u>\$ 304,575</u>	<u>\$ -</u>

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

June 30, 2013

# Ingram Overholt & Bean, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Emergency Communications District  
of Blount County, Tennessee  
Maryville, 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 business-type activities of the Emergency Communications District of Blount County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Emergency Communications District of Blount County, Tennessee's basic financial statements, and have issued our report thereon dated October 28, 2013.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Ingram, Overholt & Bean, P.C.*

Alcoa, Tennessee  
October 28, 2013