

*Financial Statements*

COCKE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

Years Ended June 30, 2013 and 2012

## TABLE OF CONTENTS

	<u>Page Nos.</u>
INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-6
FINANCIAL STATEMENTS	
Statements of Net Position	7
Statements of Revenue, Expenses and Change in Net Position	8-10
Statements of Cash Flows	11-12
Notes to the Financial Statements	13-20
REQUIRED SUPPLEMENTARY INFORMATION	
Funding Progress - Political Subdivision Pension Plan Supplementary Information	21
OTHER SUPPLEMENTARY INFORMATION	
Statement of Revenue, Expenses and Change in Net Position – Actual and Budget	22-24
Board of Directors	25
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 <i>Government Auditing Standards</i>	26-27
Finding, Recommendation and Management Response	28

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors  
Cocke County Emergency Communications District  
Newport, Tennessee

**Report on the Financial Statements**

We have audited the accompanying financial statements of Cocke County Emergency Communications District, a component unit of Cocke County, Tennessee, as of June 30, 2013 and 2012 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 years 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 audits. We conducted our audits 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 of America. Those standards require that we plan and perform the audits 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 Cocke County Emergency Communications District as of June 30, 2013 and 2012 and the change in its net position and its cash flows 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 management's discussion and analysis on pages 4 to 6 and the schedule of funding progress – political subdivision pension plan supplementary information on page 21 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 Cocke County Emergency Communications District's financial statements. The statement of revenue, expenses and change in net position – actual and budget as well as the schedule of board of directors are presented for purposes of additional analysis and are not a required part of the financial statements.

The statement of revenue, expenses and change in net position – 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. Such information has been subjected to the auditing procedures applied in the audits 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 statement of revenue, expenses and change in net position – actual and budget is fairly stated in all material respects in relation to the financial statements as a whole.

The schedule of board of directors has not been subjected to the auditing procedures applied in the audits 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 April 1, 2014 on our consideration of Cocke County Emergency Communications District'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 Cocke County Emergency Communications District's internal control over financial reporting and compliance.

*Mitchell Emert + Hill*

April 1, 2014

# ***COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT (E-911)***

*145 Mineral Street  
Newport, Tennessee 37821*

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

As management of the Cocke County Emergency Communications District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal years ended June 30, 2013, 2012 and 2011. Please read it in conjunction with the District's financial statements, which follow this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this management's discussion and analysis, the independent accountants' audit 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 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 credit (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. This 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 changes 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 are 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>	<u>2011</u>
<b>NET POSITION</b>			
Current assets	\$ 1,730,064	\$ 1,580,700	\$ 1,380,009
Capital assets	<u>443,996</u>	<u>488,846</u>	<u>560,944</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,174,061</u></b>	<b><u>\$ 2,069,546</u></b>	<b><u>\$ 1,940,954</u></b>
Liabilities	\$ 0	\$ 15,905	\$ 0
Net position:			
Investment in capital assets	443,996	488,845	560,944
Unrestricted	<u>1,730,064</u>	<u>1,564,796</u>	<u>1,380,009</u>
	<u>2,174,061</u>	<u>2,053,642</u>	<u>1,940,954</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 2,174,061</u></b>	<b><u>\$ 2,069,546</u></b>	<b><u>\$ 1,940,954</u></b>
<b>CHANGE IN NET POSITION</b>			
Operating revenue	\$ 522,521	\$ 481,383	\$ 486,266
Operating expenses	<u>468,337</u>	<u>466,364</u>	<u>449,223</u>
<b>INCOME FROM OPERATIONS</b>	54,184	15,020	37,043
Nonoperating revenue(expense)	<u>66,235</u>	<u>97,668</u>	<u>118,868</u>
<b>CHANGE IN NET POSITION</b>	120,419	112,688	155,911
<b>NET POSITION AT THE BEGINNING OF THE YEAR</b>	<u>2,053,642</u>	<u>1,940,954</u>	<u>1,785,042</u>
<b>NET POSITION AT THE END OF THE YEAR</b>	<b><u>\$ 2,176,061</u></b>	<b><u>\$ 2,053,642</u></b>	<b><u>\$ 1,940,954</u></b>

## **ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

As shown by the summarized financial information, the District's net position has increased by \$120,419 during the year ended June 30, 2013 (\$112,688 during the year ended June 30, 2012 and \$155,911 during the year ended June 30, 2011). Operating revenue increased at a rate of 15% in 2013 (increased 1% in 2012 and 7% in 2011) while expenses increased at a rate of 0.004% (4% in 2012 and 4% in 2011). The increase in net position was due primarily to an increase in revenue received from the State of Tennessee Emergency Communications Board.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Emergency telephone service charges	\$ 117,913	\$ 231,200	\$ 231,365
TECB-shared wireless charge	87,653	83,010	87,748
TECB-operational funding program	256,956	167,173	167,153

### **BUDGETARY HIGHLIGHTS**

The District adopts an annual operating budget, which includes proposed expenses and the means for paying those expenses. As conditions change during the year, the budget may be amended to prevent budget overruns.

Revenue from residential phone lines decreased as compared to the prior year and was \$27,087 less than budgeted revenue. State shared wireless revenue increased as compared to the prior year but was \$2,347 less than the budgeted income. Operating income increased as compared to the prior year and was \$121,956 more than the budgeted income. Actual expenses were \$4,011 more than the budgeted amount.

### **CAPITAL ASSETS**

The District's investment in capital assets as of June 30, 2013 amounted to \$932,502 (\$895,169 in 2012 and \$919,934 in 2011) with accumulated depreciation of \$488,507 (\$406,323 in 2012 and \$358,990 in 2011). Capital assets include the leasehold improvements, communications equipment, vehicles, as well as office furniture and office equipment.

### **ECONOMIC FACTORS AND FUTURE NEEDS**

The main economic factor facing the Cocke County Emergency Communications District 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, 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 for the money it receives. If you have any question or need additional information, please contact Nancy Hansel, Director of the Cocke County Emergency Communications District, 145 Mineral Street, Newport, Tennessee 37821

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENTS OF NET POSITION**

June 30, 2013 and 2012

	2013	2012
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,191,603	\$ 1,039,203
Certificates of deposit	505,206	500,858
Accounts receivable	14,161	23,301
Due from TECB	14,950	13,736
Prepaid expenses	4,145	3,602
<b>TOTAL CURRENT ASSETS</b>	1,730,064	1,580,700
<b>CAPITAL ASSETS</b>		
Communications equipment	702,578	679,291
Office equipment	101,930	96,047
Vehicles	46,456	46,456
Leasehold improvements	81,540	73,375
	932,502	895,169
Accumulated depreciation	(488,507)	(406,323)
	443,996	488,845
<b>TOTAL ASSETS</b>	<b>\$ 2,174,061</b>	<b>\$ 2,069,546</b>

See the accompanying notes to the financial statements.

	<u>2013</u>	<u>2012</u>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 0	\$ 12,050
Payroll deductions payable	<u>0</u>	<u>3,855</u>
<b>TOTAL CURRENT LIABILITIES</b>	0	15,905
<b>NET POSITION</b>		
Investment in capital assets	443,996	488,845
Unrestricted	<u>1,730,064</u>	<u>1,564,796</u>
	<u>2,174,061</u>	<u>2,053,642</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 2,174,061</u></u>	<u><u>\$ 2,069,546</u></u>

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**

Years Ended June 30, 2013 and 2012

	2013	2012
<b>OPERATING REVENUE</b>		
Emergency telephone service charges	\$ 177,913	\$ 231,200
TECB-shared wireless charge	87,653	83,010
TECB-operational funding program	256,956	167,173
<b>TOTAL OPERATING REVENUE</b>	522,521	481,383
<b>OPERATING EXPENSES</b>		
Salaries and wages:		
Director	58,747	50,551
Administrative personnel	35,226	38,203
Overtime	10,002	7,289
Part-time personnel	87,455	89,203
	191,430	185,246
Employee benefits:		
Social security	11,228	11,609
Medicare	2,626	2,715
Medical insurance	30,046	30,916
Dental insurance	0	1,076
Retirement	14,152	14,732
	58,052	61,048
Contracted services:		
Advertising	1,058	254
Audit services	5,000	4,600
Contracts with private agencies	1,121	1,080
Fuel-vehicles	2,669	3,053
Janitorial services	2,748	2,748
Lease/Rental-office equipment	1,104	1,104
Maintenance agreements	28,437	34,537
Pest control	706	676
NCIC/TBI/TIES	4,480	2,800

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**

(continued)

Years Ended June 30, 2013 and 2012

	2013	2012
Contracted services(continued):		
Maintenance and repairs-buildings and facilities	2,162	5,227
Maintenance and repairs-communications equipment	4,527	4,254
Maintenance and repairs-vehicles	2,046	373
	56,058	60,705
Supplies and materials:		
Office supplies	2,642	2,677
Custodial supplies	634	521
Data processing supplies	2,059	1,222
Postage	287	273
Small equipment purchases	2,669	338
Utilities-electric	5,739	5,810
Utilities-gas	685	542
Utilities-water	386	406
Utilities-general telephone	30,861	31,672
Utilities-cell phones and pagers	368	900
	46,329	44,361
Other charges:		
Dues and memberships	598	598
Insurance	14,834	14,999
Attorney fees	2,220	0
Addressing	2,500	0
Public education	5,895	5,890
Service awards	0	493
Training	2,394	4,744
Travel	3,528	3,123
Internet charges	1,073	1,129
	33,042	30,976

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**

(continued)

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Depreciation	<u>83,427</u>	<u>84,028</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>468,337</u>	<u>466,364</u>
<b>INCOME FROM OPERATIONS</b>	54,184	15,020
<b>NONOPERATING REVENUE(EXPENSE)</b>		
Contributions from other governments	54,097	55,572
TECB-grants	2,892	46,957
Interest income	5,662	3,385
Insurance proceeds	4,371	0
Loss on disposal of equipment	<u>(787)</u>	<u>(8,245)</u>
	<u>66,235</u>	<u>97,668</u>
<b>CHANGE IN NET POSITION</b>	120,419	112,688
<b>NET POSITION AT THE BEGINNING OF THE YEAR</b>	<u>2,053,642</u>	<u>1,940,954</u>
<b>NET POSITION AT THE END OF THE YEAR</b>	<u>\$ 2,174,061</u>	<u>\$ 2,053,642</u>

See the accompanying notes to the financial statements.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2013 and 2012

	2013	2012
<b>CASH PROVIDED(USED) BY OPERATING ACTIVITIES</b>		
Cash received from telephone charges	\$ 530,447	\$ 484,368
Cash paid to employees	(191,430)	(185,246)
Cash paid to suppliers	(209,927)	(178,444)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	129,090	120,679
<b>CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(39,364)	(20,174)
TECB-grants	0	39,445
<b>NET CASH (USED)PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(39,364)	19,271
<b>CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributions from other governments	54,097	55,572
Insurance proceeds	4,371	0
TECB-grants	2,892	46,957
<b>NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	61,360	102,529
<b>CASH PROVIDED(USED) BY INVESTING ACTIVITIES</b>		
Increase in certificates of deposit	(4,348)	(500,858)
Interest received	5,662	3,385
<b>NET CASH PROVIDED(USED) BY INVESTING ACTIVITIES</b>	1,314	(497,473)
<b>NET INCREASE(DECREASE) IN CASH</b>	152,401	(254,994)
<b>CASH AT THE BEGINNING OF THE YEAR</b>	1,039,203	1,294,198
<b>CASH AT THE END OF THE YEAR</b>	<b>\$ 1,191,603</b>	<b>\$ 1,039,203</b>

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENTS OF CASH FLOWS**

(continued)

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES</b>		
Income from operations	\$ 54,184	\$ 15,020
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	83,427	84,028
(Increase)decrease in:		
Accounts receivable	9,141	2,164
Due from TECB	(1,214)	821
Prepaid expenses	(543)	2,741
Increase(decrease) in:		
Accounts payable	(12,050)	12,050
Payroll deductions payable	(3,855)	3,855
	<u>74,906</u>	<u>105,659</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 129,090</u>	<u>\$ 120,679</u>

See the accompanying notes to the financial statements.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013 and 2012

**NOTE A - DESCRIPTION OF ORGANIZATION**

Cocke County Emergency Communications District (the District) was created by a countywide referendum on November 8, 1988. The Cocke County Board of Commissioners appointed the District's initial Board of Directors on February 21, 1989 pursuant to Chapter 867 of the Public Acts of 1984. The District is responsible for the installation and maintenance of the emergency communications network of Cocke County, Tennessee (Enhanced 911 Service). The communications system became operational on November 15, 1992.

The District is considered a component unit of Cocke County, Tennessee because the Cocke 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**

Basis of Accounting

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 statement of net position. The statement of revenue, expenses and change in net position presents 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:

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013 and 2012

Investment in capital assets: This category includes capital assets, net of accumulated depreciation. Investment in capital assets at June 30, 2013 and 2012 has been calculated as follows:

	<u>2013</u>	<u>2012</u>
Capital assets	\$ 932,502	\$ 895,168
Accumulated depreciation	<u>(488,507)</u>	<u>(406,323)</u>
	<u>\$ 443,996</u>	<u>\$ 488,845</u>

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 positions as of June 30, 2013 and 2012.

Unrestricted: This category includes net position that is not subject to externally imposed stipulations and that does not meet the definition of “restricted” or “investment 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 and 2012, no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets, which 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 thirty years.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013 and 2012

Compensated Absences

The District's full-time employees are granted vacation leave in varying amounts and may accumulate a maximum of 25 days. In the event of termination, the employee is paid for any unused vacation leave.

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.

**NOTE C - CASH**

Cash and the certificate of deposit represent 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 of America or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America 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 Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the 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.

At June 30, 2013, \$3,706 of the District's bank balance of \$253,706 was exposed to custodial credit risk because it was neither insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool nor was it collateralized with securities held by the District's agent in the District's name.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013 and 2012

**NOTE D - 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	\$ 679,291	\$ 23,287	\$ 0	\$ 702,578
Office equipment	96,047	5,883	0	101,930
Vehicles	46,456	0	0	46,456
Leasehold improvements	<u>73,375</u>	<u>10,195</u>	<u>(2,030)</u>	<u>81,540</u>
	895,168	39,364	(2,030)	932,502
<u>Accumulated depreciation</u>				
Communications equipment	(298,836)	(64,161)	0	(362,997)
Office equipment	(40,956)	(9,314)	0	(50,270)
Vehicles	(34,213)	(4,897)	0	(39,110)
Leasehold improvements	<u>(32,319)</u>	<u>(5,055)</u>	<u>1,243</u>	<u>(36,131)</u>
	<u>(406,323)</u>	<u>(83,427)</u>	<u>1,243</u>	<u>(488,507)</u>
	<u>\$ 488,845</u>	<u>\$ (44,062)</u>	<u>\$ (787)</u>	<u>\$ 443,996</u>

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013 and 2012

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>7/1/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/12</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 718,559	\$ 4,649	\$ (43,917)	\$ 679,291
Office equipment	96,047	0	0	96,047
Vehicles	46,456	0	0	46,456
Leasehold improvements	<u>58,873</u>	<u>15,525</u>	<u>(1,023)</u>	<u>73,375</u>
	919,934	20,174	(44,940)	895,168
<u>Accumulated depreciation</u>				
Communications equipment	(268,547)	(66,131)	35,842	(298,836)
Office equipment	(31,591)	(9,366)	0	(40,956)
Vehicles	(29,316)	(4,897)	0	(34,213)
Leasehold improvements	<u>(29,537)</u>	<u>(3,634)</u>	<u>852</u>	<u>(32,319)</u>
	<u>(358,990)</u>	<u>(84,028)</u>	<u>36,695</u>	<u>(406,323)</u>
	<u>\$ 560,944</u>	<u>\$ (63,854)</u>	<u>\$ (8,245)</u>	<u>\$ 488,845</u>

**NOTE E - PENSION 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). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for a disability that is the result of an accident or injury occurring while the member was in the performance of duty.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013 and 2012

Members joining the system after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in the 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 District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of the plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

The District requires employees to contribute 5.0 % of earnable compensation.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013 was 9.64% 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 year ended June 30, 2013, the District's annual pension cost of \$14,152 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% 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 total investments over a ten-year period. The District's unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 17 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013 and 2012

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/13	\$ 14,152	100.00%	\$ 0
6/30/12	14,475	100.00	\$ 0
6/30/11	10,175	100.00	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 50.15% funded. The actuarial accrued liability (AAL) for benefits was \$0.11 million, and the actuarial value of assets was \$0.06 million, resulting in a UAAL of \$0.06 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.10 million, and the ratio of the UAAL to the covered payroll was 54.34%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

Actuarial valuation date	7/1/11	7/1/09	7/1/07
Actuarial value of plan assets	\$ 57,000	\$ 15,000	\$ 0
Actuarial accrued liability (AAL)	113,000	93,000	N/A
Unfunded AAL (UAAL)	57,000	78,000	N/A
Funded ratio	50.15%	16.51%	N/A
Covered payroll	104,000	117,000	0
UAAL as a percentage of covered payroll	54.34%	66.07%	N/A

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013 and 2012

**NOTE F - 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.

**NOTE G - LEASE OBLIGATIONS**

The District leases its facilities from the City of Newport, Tennessee under an operating lease expiring in January 2015. The terms of the lease provide for lease payments of \$1.00 per year.

**NOTE H - COMMITMENTS**

During the year ended June 30, 2013 the District committed to purchasing communications equipment in the amount of 148,377.

REQUIRED SUPPLEMENTARY INFORMATION

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**FUNDING PROGRESS – POLITICAL SUBDIVISION**  
**PENSION PLAN SUPPLEMENTARY INFORMATION**

June 30, 2013

Actuarial valuation date	7/1/11	7/1/09	7/1/07
Actuarial value of plan assets	\$ 57,000	\$ 15,000	\$ 0
Actuarial accrued liability (AAL)	113,000	93,000	N/A
Unfunded AAL (UAAL)	57,000	78,000	N/A
Funded ratio	50.15%	16.51%	N/A
Covered payroll	104,000	117,000	0
UAAL as a percentage of covered payroll	54.34%	66.07%	N/A

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**  
**ACTUAL AND BUDGET**

Year Ended June 30, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
<b>OPERATING REVENUE</b>			
Emergency telephone service charges	\$ 177,913	\$ 205,000	\$ (27,087)
TECB-shared wireless charge	87,653	90,000	(2,347)
TECB-operational funding program	<u>256,956</u>	<u>135,000</u>	<u>121,956</u>
<b>TOTAL OPERATING REVENUE</b>	522,521	430,000	92,521
<b>OPERATING EXPENSES</b>			
Salaries and wages:			
Director	58,747	59,711	(965)
Administrative personnel	35,226	36,011	(785)
Overtime	10,002	10,002	0
Part-time personnel	<u>87,455</u>	<u>89,372</u>	<u>(1,917)</u>
	191,430	195,097	(3,666)
Employee benefits:			
Social security	11,228	13,850	(2,622)
Medicare	2,626	3,882	(1,256)
Medical insurance	30,046	31,051	(1,005)
Retirement	14,152	21,492	(7,340)
Unemployment	<u>0</u>	<u>1,000</u>	<u>(1,000)</u>
	58,052	71,274	(13,223)
Contracted services:			
Advertising	1,058	1,058	0
Audit services	5,000	5,000	0
Contracts with private agencies	1,121	1,200	(79)
Fuel-vehicles	2,669	3,000	(331)
Janitorial services	2,748	2,748	0
Lease/Rental-office equipment	1,104	1,400	(296)
Maintenance agreements	28,437	28,871	(434)
Pest control	706	706	0

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**

**ACTUAL AND BUDGET**

(continued)

Year Ended June 30, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Contracted services(continued):			
NCIC/TBI/TIES expenses	4,480	5,500	(1,020)
Maintenance and repairs- communications equipment	4,527	16,594	(12,067)
Maintenance and repairs- buildings and facilities	2,162	24,000	(21,838)
Maintenance and repairs- office equipment	0	500	(500)
Maintenance and repairs-vehicles	2,046	2,000	46
	<u>56,058</u>	<u>92,577</u>	<u>(36,519)</u>
Supplies and materials:			
Office supplies	2,642	3,500	(858)
Custodial supplies	634	1,000	(366)
Data processing supplies	2,059	4,000	(1,941)
Postage	287	450	(163)
Small equipment purchases	2,669	8,684	(6,015)
Utilities-electric	5,739	6,500	(761)
Utilities-gas	685	1,000	(315)
Utilities-water	386	600	(214)
Utilities-general telephone	30,861	36,000	(5,140)
Utilities-cell phones and pagers	368	900	(532)
	<u>46,329</u>	<u>62,634</u>	<u>(16,304)</u>
Other charges:			
Board meeting expense	0	200	(200)
Dues and memberships	598	750	(152)
Uniforms	0	984	(984)
Insurance	14,834	15,200	(366)
Attorney fees	2,220	2,500	(280)
Addressing	2,500	2,738	(238)

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION**

**ACTUAL AND BUDGET**

(continued)

Year Ended June 30, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Other charges(continued):			
Public education	5,895	6,000	(105)
Service awards	0	500	(500)
Training	2,394	5,466	(3,072)
Travel	3,528	6,906	(3,378)
Internet charges	1,073	1,500	(427)
	<u>33,042</u>	<u>42,744</u>	<u>(9,702)</u>
Depreciation	<u>83,427</u>	<u>0</u>	<u>83,427</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>468,337</u>	<u>464,326</u>	<u>4,011</u>
<b>INCOME(LOSS) FROM OPERATIONS</b>	54,184	(34,326)	88,510
<b>NONOPERATING REVENUE (EXPENSE)</b>			
Contributions from other governments	54,097	53,000	1,097
TECB - grants	2,892	18,000	(15,108)
Interest income	5,662	3,000	2,662
Insurance proceeds	4,371	0	4,371
Loss on disposal of equipment	(787)	0	(787)
	<u>66,235</u>	<u>74,000</u>	<u>(7,765)</u>
<b>CHANGE IN NET POSITION</b>	120,419	39,674	80,744
<b>NET POSITION AT THE BEGINNING OF THE YEAR</b>	<u>2,053,642</u>	<u>2,053,642</u>	<u>0</u>
<b>NET POSITION AT THE END OF THE YEAR</b>	<u>\$ 2,174,061</u>	<u>\$ 2,093,317</u>	<u>\$ 80,744</u>

See the accompanying independent accountants' audit report.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**BOARD OF DIRECTORS**

June 30, 2013

Maurice Shults  
Newell Byrd  
Randy Ragan  
William Smallwood  
Armando Fontes  
Connie Ball  
Harold Woody  
Norman Smith  
Vanessa Dennis

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  
Coke County Emergency Communications District  
Newport, 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 of America, the financial statements of Coke County Emergency Communications District, as of and for the year ended June 30, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated April 1, 2014.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Coke County Emergency Communications District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of finding, recommendation and management response as 2013-A-1 to be a material weakness.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Coker County Emergency Communications 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 *Government Auditing Standards*.

### **Management's Responses to Findings**

Coker County Emergency Communications District's response to the significant deficiency identified in our audits was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

April 1, 2014

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**FINDING, RECOMMENDATION AND MANAGEMENT RESPONSE**

Year Ended June 30, 2013

Finding Number 2013-A-1 – Receipt of Funds

*Finding:* A former director allowed an employee to take leave in excess of the amount earned, receive his pay and reimburse the District for the cost of the replacement dispatcher. The employee was paid as if he worked when he did not. The employee advised that he made reimbursements in cash, but these payments do not appear to have been deposited into the bank account and no invoices were on file to show expenses were paid using this cash. Management reported this to the State of Tennessee, Division of Local Government Audit as required by state law.

*Recommendation:* Money received on behalf of the District should be properly receipted and deposited to the bank. Additionally, the District should only pay individuals for actual time worked.

*Management's Response:* I concur with your recommendation with regard to money received on behalf of the District being properly receipted and deposited to the bank. Additionally, the District should only pay individuals for actual time worked.

I have taken the following steps to correct this from becoming an issue in the future: the District will no longer allow any employee to contact another employee to work in their absence. The District management will be responsible for supplying the fill-in coverage for a vacant shift and the District will keep records of those hours worked and will pay for that coverage through its bi-monthly payroll; therefore, no actual money will change hands from employee to employee nor from employee to management.