

Financial Statements

GREENEVILLE-GREENE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Year Ended June 30, 2013

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Greenville-Greene County Emergency Communications District
Greenville, Tennessee

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the net position of Greeneville-Greene County Emergency Communications District as of June 30, 2013 and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 to 6 and the schedule of funding progress – political subdivision pension plan supplementary information on page 20 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 Greeneville-Greene County Emergency Communications District's financial statements. The accompanying information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

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

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013 on our consideration of Greeneville-Greene 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 Greeneville-Greene County Emergency Communications District's internal control over financial reporting and compliance.

Mitchell Emert & Hill

December 19, 2013

**GREENEVILLE-GREENE COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

111 UNION STREET
GREENEVILLE, TN 37743
PHONE (423) 638-8663 FAX (423) 638-9166

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Greeneville-Greene 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 year ending June 30, 2013. Please read it in conjunction with the District's financial statements, as listed in the table of contents.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REQUIRED FINANCIAL STATEMENTS

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

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

The final required financial statement is the statement of cash flows. 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 change in it. One can think of the District's net position, the difference between assets and liabilities, as one way to measure financial health. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. A summary of the District's net position and change in it is presented below.

SUMMARIZED FINANCIAL INFORMATION

	<u>2013</u>	<u>2012</u>
NET POSITION		
Current assets	\$ 882,228	\$ 658,004
Capital assets	<u>235,624</u>	<u>277,614</u>
Total assets	<u>\$ 1,117,853</u>	<u>\$ 935,618</u>
Total liabilities	\$ 26,539	\$ 48,718
Net position:		
Investment in capital assets	235,624	277,614
Unrestricted	<u>855,689</u>	<u>609,287</u>
Total net position	<u>1,091,314</u>	<u>886,900</u>
Total liabilities and net position	<u>\$ 1,117,853</u>	<u>\$ 935,618</u>

CHANGE IN NET POSITION

Operating revenue	\$ 805,953	\$ 712,988
Operating expenses	<u>816,242</u>	<u>802,466</u>
Operating income	(10,290)	(89,478)
Non-operating income	<u>214,703</u>	<u>154,814</u>
Change in net position	204,413	65,336
Beginning net position	<u>886,900</u>	<u>821,565</u>
Ending net position	<u>\$ 1,091,314</u>	<u>\$ 886,900</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District completed the year ended June 30, 2013 with net position of \$1,091,314, which is \$204,413 more than last year's ending net position of \$886,900, an increase of 23% compared to last year. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by \$246,402 or 40% during the year ended June 30, 2013. The difference in the current year's result compared to last year was due primarily to an increase in revenue received from telephone charges due to a rate increase.

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

	<u>2013</u>	<u>2012</u>
Emergency telephone service charges	\$ 389,507	\$ 310,449
TECB-shared wireless charge	169,178	160,216
TECB-operational funding	246,551	242,062

Other TECB funding	44,012	0
Contributions from primary and other governments	160,000	160,000
Other income	<u>11,408</u>	<u>10,666</u>
	<u>\$ 1,020,656</u>	<u>\$ 883,393</u>

Total operational costs for the District were \$816,242 for the year ended June 30, 2013, an increase of 2% compared to last year. This increase was mainly due to depreciation expense.

CAPITAL ASSETS

At June 30, 2013, the District had investment in capital assets of \$235,624, a decrease of \$41,990 or 15% compared to the prior year. This change was a result of the purchase of furniture and fixtures, leasehold improvements and communications equipment totaling \$15,358 and depreciation expense of \$57,348. Additional information on capital assets can be found in Note D.

BUDGETARY HIGHLIGHTS

The District adopts an annual operating budget, which includes proposed expenses and the means for paying these expenses. As conditions change during the year, the budget may be amended to prevent budget overruns. The final amended budget did not vary significantly from the original budget and budget amendments served to mainly distribute budgeted expenses from accounts which had less expenses than expected to accounts which had more expenses than originally budgeted. Actual revenue exceeded budgeted revenue by \$54,726, mainly due to unexpected funding received from the Tennessee Emergency Communications Board. Actual expenses were less than budgeted expenses by \$123,819 due to decreased expenses across the board.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing the Greeneville-Greene 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. As a result, during the year ended June 30, 2012 the District increased rates to offset the decline in landline users.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general view of the District’s finances and to show the District’s accountability to the money it receives. If you have any questions about this report or need additional financial information, please contact Jerry Bird, Director of the Greeneville-Greene County Emergency Communications District, 111 Union Street, Greeneville, TN 37743.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

ASSETS

CURRENT ASSETS

Cash		\$ 803,464
Accounts receivable		33,455
Due from TECB		28,854
Prepaid expenses		<u>16,455</u>

TOTAL CURRENT ASSETS 882,228

CAPITAL ASSETS

Furniture and fixtures	\$ 11,569	
Computer equipment	16,315	
Communications equipment	504,259	
Vehicles	41,950	
Mapping	47,377	
Leasehold improvements	<u>25,341</u>	
	646,811	
Accumulated depreciation and amortization	<u>(411,187)</u>	<u>235,624</u>

TOTAL ASSETS \$ 1,117,853

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable		\$ 4,042
Wages payable		6,168
Accumulated compensated absences		<u>16,330</u>

TOTAL CURRENT LIABILITIES 26,539

NET POSITION

Investment in capital assets	\$ 235,624	
Unrestricted	<u>855,689</u>	<u>1,091,314</u>

TOTAL LIABILITIES AND NET POSITION \$ 1,117,853

See the accompanying notes to the financial statements.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

Year Ended June 30, 2013

OPERATING REVENUE

Emergency telephone service charges		\$ 389,507
TECB-shared wireless charge		169,178
TECB-operational funding		246,551
Other operating revenue		<u>717</u>

TOTAL OPERATING REVENUE 805,953

OPERATING EXPENSES

Salaries and wages:			
Director	\$ 49,794		
Administrative personnel	39,769		
Dispatchers	225,068		
Part-time personnel	32,480		
Training	52,711		
Overtime	<u>22,329</u>	422,151	

Employee benefits:			
Payroll taxes	31,359		
Medical insurance	96,290		
Life insurance	398		
Retirement	<u>36,020</u>	164,067	

Contracted services:			
Auditing services	6,050		
Fees paid to service providers	8		
Maintenance agreements	40,159		
Lease/Rental-communications equipment	77,868		
Maintenance and repairs-communications equipment	2,399		
Maintenance and repairs-buildings and facilities	319		
Maintenance and repairs-vehicles	818		
Fuel-vehicles	<u>1,138</u>	128,759	

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

(continued)

Year Ended June 30, 2013

Supplies and materials:		
Office supplies	1,805	
Custodial supplies	1,119	
Data processing supplies	2,054	
Postage	206	
Small equipment purchases	493	
Uniforms	680	
Utilities-electric	11,826	
Utilities-water and sewer	669	
Utilities-general telephone	7,589	
Utilities-cell phone	<u>1,050</u>	27,491
Other charges:		
Dues and memberships	1,582	
Training	828	
Insurance-liability	10,946	
Premiums on surety bonds	620	
Travel	425	
Internet service	779	
Miscellaneous	<u>1,247</u>	16,427
Depreciation		<u>57,348</u>
TOTAL OPERATING EXPENSES		<u>816,242</u>
(LOSS) FROM OPERATIONS		(10,290)

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

(continued)

Year Ended June 30, 2013

NONOPERATING REVENUE(EXPENSE)

Contributions from primary government	120,000	
Contributions from other government	40,000	
Other TECB funding	44,012	
Reimbursements	8,788	
Interest income	<u>1,903</u>	<u>214,703</u>

CHANGE IN NET POSITION 204,413

NET POSITION AT THE BEGINNING OF THE YEAR 886,900

NET POSITION AT THE END OF THE YEAR \$ 1,091,314

See the accompanying notes to the financial statements.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

CASH PROVIDED(USED) BY OPERATING ACTIVITIES

Cash received from telephone charges	\$ 804,414
Cash paid to suppliers	(355,245)
Cash paid to employees	<u>(424,769)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 24,399

CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(15,358)
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CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES

Contributions from primary government	\$ 120,000
Contributions from other government	40,000
Other TECB funding	44,012
Reimbursements	<u>8,788</u>

NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES 212,800

CASH PROVIDED(USED) BY INVESTING ACTIVITIES

Interest received	<u>1,903</u>
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NET INCREASE IN CASH 223,743

CASH AT THE BEGINNING OF THE YEAR 579,721

CASH AT THE END OF THE YEAR \$ 803,464

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

(continued)

Year Ended June 30, 2013

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

(Loss) from operations		\$ (10,290)
Adjustments to reconcile (loss) from operations to net cash provided by operating activities:		
Depreciation	\$ 57,348	
(Increase)decrease in:		
Accounts receivable	804	
Due from TECB	(2,343)	
Prepaid expenses	1,058	
Increase(decrease) in:		
Accounts payable	(19,560)	
Wages payable	(3,054)	
Accumulated compensated absences	436	
	<u>34,688</u>	
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u><u>\$ 24,399</u></u>

See the accompanying notes to the financial statements.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE A - DESCRIPTION OF ORGANIZATION

Greenville-Greene County Emergency Communications District (the District) was established on November 8, 1988, pursuant to the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The District is responsible for furnishing local emergency telephone service and a primary emergency telephone number for the residents of Greene County, Tennessee. The District is governed by a nine-member Board of Directors appointed by the county commissioners of Greene County, Tennessee. The Board of Directors has the authority to levy an emergency telephone service charge to be used to fund the operations of the District. The District began collecting telephone user fees in May 1989, and began operations during the year ended June 30, 1990.

The District is considered a component unit of Greene County, Tennessee because the Greene County mayor appoints, and the Greene County commissioners affirm, the District's Board of Directors and must approve most 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 the 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 changes 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:

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

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

Capital assets	\$ 646,811
Accumulated depreciation	<u>(411,187)</u>
	<u>\$ 235,624</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. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed. The District had no restricted net position as of June 30, 2013.

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

Capital Assets

Capital assets, which include property and equipment, are recorded at cost and defined by the District as assets with an initial, individual cost of \$250 or more. Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to twenty-five years.

Operating Budget

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

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

Compensated Absences

District employees are granted vacation and sick leave in varying amounts and may accumulate sick leave indefinitely, which may then be used for early retirement. The District's policies do not provide for an employee to be paid for any unused sick leave in the event of termination. Vacation leave may be accumulated up to 160 hours. Any hours over 160 will be transferred to the employee's sick leave account. Employees may receive payment for unused vacation leave, up to the 160 hour maximum, upon termination or resignation. Accumulated vacation leave is recorded as an expense and liability as the benefits accrue to the employees. No liability is recorded for accumulated sick leave.

NOTE C - CASH

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

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

As of June 30, 2013, \$170,004 of the District's bank balance of \$818,200 was exposed to custodial credit risk because it was uninsured through the Federal Deposit Insurance Corporation and not collateralized with securities held by the District or by its agent in the District's name.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

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>				
Furniture and fixtures	\$ 9,539	\$ 2,030	\$ 0	\$ 11,569
Office equipment	16,315	0	0	16,315
Communications equipment	491,201	13,058	0	504,259
Vehicles	41,950	0	0	41,950
Mapping	47,377	0	0	47,377
Leasehold improvements	<u>25,070</u>	<u>271</u>	<u>0</u>	<u>25,341</u>
	631,453	15,358	0	646,811
<u>Accumulated depreciation</u>				
Furniture and fixtures	(6,779)	(1,482)	0	(8,261)
Office equipment	(15,933)	(383)	0	(16,315)
Communications equipment	(280,440)	(49,344)	0	(329,784)
Vehicles	(38,950)	(0)	0	(38,950)
Mapping	(5,257)	(4,738)	0	(9,995)
Leasehold improvements	<u>(6,480)</u>	<u>(1,402)</u>	<u>0</u>	<u>(7,881)</u>
	<u>(353,839)</u>	<u>(57,348)</u>	<u>0</u>	<u>(411,187)</u>
	<u>\$ 277,614</u>	<u>\$ (41,990)</u>	<u>\$ 0</u>	<u>\$ 235,624</u>

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

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 five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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 ending June 30, 2013 was 9.83% 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.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

Annual Pension Cost

For the year ended June 30, 2013, the District's annual pension cost of \$35,326 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 8 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 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	\$ 35,326	100.00%	\$ 0
6/30/12	34,867	100.00%	0
6/30/11	37,588	100.00%	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 76.32 % funded. The actuarial accrued liability (AAL) for benefits was \$0.94 million, and the actuarial value of assets was \$0.71 million, resulting in a UAAL of \$0.22 million. The covered payroll (annual payroll of active employees covered by the plan) \$0.40 million, and the ratio of the UAAL to the covered payroll was 55.82%.

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

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

Actuarial valuation date	7/1/11
Actuarial value of plan assets	\$ 714,000
Actuarial accrued liability (AAL)	936,000
Unfunded AAL (UAAL)	222,000
Funded ratio	76.32%
Covered payroll	397,000
UAAL as a percentage of covered payroll	55.82%

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 – COMMITMENT

During the year ended June 30, 2013, the District entered into two contracts totaling \$211,853 for the installation of new equipment. As of June 30, 2013, no funds had been expended for the new equipment.

REQUIRED SUPPLEMENTARY INFORMATION

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

FUNDING PROGRESS – POLITICAL SUBDIVISION
PENSION PLAN SUPPLEMENTARY INFORMATION

June 30, 2013

	7/1/11	7/1/09	7/1/07
Actuarial valuation date			
Actuarial value of plan assets	\$ 714,000	\$ 527,000	\$ 437,000
Actuarial accrued liability (AAL)	936,000	759,000	488,000
Unfunded AAL (UAAL)	222,000	233,000	51,000
Funded ratio	76.32%	69.34%	89.55%
Covered payroll	397,000	329,000	287,000
UAAL as a percentage of covered payroll	55.82%	70.78%	17.77%

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

Year Ended June 30, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
OPERATING REVENUE			
Emergency telephone service charges	\$ 389,507	\$ 398,100	\$ (8,593)
TECB-shared wireless charge	169,178	160,000	9,178
TECB-operational funding	246,551	237,000	9,551
Other operating revenue	<u>717</u>	<u>100</u>	<u>617</u>
TOTAL OPERATING REVENUE	805,953	795,200	10,753
OPERATING EXPENSES			
Salaries and wages:			
Director	49,794	50,482	(688)
Administrative personnel	39,769	58,299	(18,530)
Dispatchers	225,068	237,208	(12,140)
Part-time personnel	32,480	37,367	(4,887)
Training	52,711	52,989	(278)
Overtime	<u>22,329</u>	<u>22,345</u>	<u>(16)</u>
	422,151	458,690	(36,539)
Employee benefits:			
Payroll taxes	31,359	35,100	(3,741)
Medical insurance	96,290	118,000	(21,710)
Life insurance	398	435	(37)
Retirement	<u>36,020</u>	<u>42,000</u>	<u>(5,980)</u>
	164,067	195,535	(31,468)
Contracted services:			
Audit services	6,050	6,100	(50)
Legal services	0	3,000	(3,000)
Fees paid to service providers	8	12,055	(12,047)
Maintenance agreements	40,159	52,066	(11,907)
Lease/Rental-communications equipment	77,868	84,080	(6,212)
Maintenance and repairs- communications equipment	2,399	9,800	(7,401)

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Contracted services(continued):			
Maintenance and repairs- buildings and facilities	319	5,000	(4,681)
Maintenance and repairs- office equipment	0	535	(535)
Maintenance and repairs-vehicles	818	1,600	(782)
Fuel-vehicles	1,138	2,400	(1,262)
	<u>128,759</u>	<u>176,636</u>	<u>(47,877)</u>
Supplies and materials:			
Office supplies	1,805	2,800	(995)
Custodial supplies	1,119	1,120	(1)
Data processing supplies	2,054	2,320	(266)
Postage	206	300	(94)
Small equipment purchases	493	1,700	(1,207)
Uniforms	680	1,500	(820)
Utilities-electric	11,826	14,000	(2,174)
Utilities-water and sewer	669	720	(51)
Utilities-general telephone	7,589	8,000	(412)
Utilities-cell phone	1,050	1,070	(20)
	<u>27,491</u>	<u>33,530</u>	<u>(6,039)</u>
Other charges:			
Dues and memberships	1,582	1,585	(3)
Training	828	1,000	(172)
Insurance-liability	10,946	12,110	(1,164)
Premiums on surety bonds	620	1,000	(380)
Public education	0	600	(600)
Travel	425	3,000	(2,576)
Bank charges	0	100	(100)
Internet service	779	780	(1)
Miscellaneous	1,247	1,495	(248)
	<u>16,427</u>	<u>21,670</u>	<u>(5,243)</u>

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Depreciation	<u>57,348</u>	<u>54,000</u>	<u>3,348</u>
TOTAL OPERATING EXPENSES	<u>816,242</u>	<u>940,061</u>	<u>(123,819)</u>
(LOSS) FROM OPERATIONS	(10,290)	(144,861)	134,571
NONOPERATING REVENUE			
Contributions from primary government	120,000	120,000	0
Contributions from other government	40,000	40,000	0
Other TECB funding	44,012	0	44,012
Reimbursements	8,788	7,730	1,058
Interest income	<u>1,903</u>	<u>3,000</u>	<u>(1,097)</u>
	<u>214,703</u>	<u>170,730</u>	<u>43,973</u>
CHANGE IN NET POSITION	204,413	25,869	178,544
NET POSITION AT THE BEGINNING OF THE YEAR	<u>886,900</u>	<u>886,900</u>	<u>0</u>
NET POSITION AT THE END OF THE YEAR	<u><u>\$ 1,091,314</u></u>	<u><u>\$ 912,768</u></u>	<u><u>\$ 178,544</u></u>

See the accompanying independent accountants' audit report.

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BOARD OF DIRECTORS

June 30, 2013

William Holt
LeRoy Tipton Jr.
Ray Adams
Bill Brown
Robert Sayne
Mark Foulks
Steve Burns
Margaret Greenway
Ryan Holt

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
Greenville-Greene County Emergency Communications District
Greenville, 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 Greenville-Greene County Emergency Communications District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2013.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Greenville-Greene County Emergency Communications District'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 Greeneville-Greene 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of finding, recommendation and management response as item 2013-B-1.

Greeneville-Greene County Emergency Communications District's Response to the Finding

Greeneville-Greene County Emergency Communications District's response to the finding identified in our audit is described in the accompanying schedule of finding, recommendation and management response. Greeneville-Greene County Emergency Communications District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Greeneville-Greene 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 Greeneville-Greene 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.

December 19, 2013

GREENEVILLE-GREENE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

FINDING, RECOMMENDATION AND MANAGEMENT RESPONSE

Year Ended June 30, 2013

Finding Number 2013-B-1 - Uncollateralized deposits

Finding: Bank balances in excess of FDIC insurance were not collateralized to at least 105% of the balance as required by Tennessee Code Annotated Section 9-4-105. The collateral provided by Greeneville Federal Bank was \$193,504 less than required, leaving \$170,004 of the Greeneville-Greene County Emergency Communications District's deposits uncollateralized as of June 30, 2013.

Recommendation: Management should ensure its bank balances are collateralized to at least 105% of the balance as required by Tennessee Code Annotated Section 9-4-105.

Management's Response: We concur. On October 4, 2013 Greeneville Federal Bank increased the collateral pledged by \$175,000.