

**TIPTON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013**

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INTRODUCTORY SECTION

**TIPTON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
DISTRICT OFFICIALS
JUNE 30, 2013**

Director

Ruth Renee Downing

Board of Directors

Jim Harger, Chairman
James Sneed, Vice Chairman
James Timbs, Treasurer
Bennie Carver
Lessie Fisher
Larry McKee
Jeff Mason
Tommy Rogers
Roy Warmath

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tipton County Emergency Communications District
Covington, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Tipton County Emergency Communications District (a component unit of Tipton County, Tennessee) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Tipton County Emergency Communications District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and retirement plan - schedule of funding progress on pages 5-8 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The budgetary comparison 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 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison is fairly stated in all material respects in relation to the 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2013, on our consideration of the Tipton County Emergency Communications District'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 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 Tipton County Emergency Communications District's internal control over financial reporting and compliance.

Whitson Jenkeley & Davis, PLLC

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

Our discussion and analysis of Tipton County Emergency Communications District's (the "District") financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2013. It should be read with the District's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The District's net position decreased approximately \$42,000 from the prior year as a result of this year's operations.
- Operating expenses decreased to approximately \$1,159,500 in the current year, from \$1,167,000 for the year ending June 30, 2012.
- Current year revenues, including contributions and grants from participating local and state governments, were approximately \$1,117,800, an increase of \$27,000 from the immediately preceding year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following parts: Management's Discussion and Analysis, Financial Statements, Notes to the Financial Statements, Required Supplementary Information, and Other Supplementary Information.

USING THIS ANNUAL REPORT AND REQUIRED FINANCIAL STATEMENTS

This annual report consists of several basic financial statements. The Statement of Net Position provides a measure of the difference between the District's assets and its liabilities at a given point in time, at our fiscal year-end date of June 30. The Statement of Revenues, Expenses, and Changes in Net Position provides information about the sources of income and how the resources were used during the fiscal year. The Statement of Cash Flows gives a detail of how cash was received and used during the fiscal year. The budgetary comparison data compares actual results of operations against budgeted amounts. Our analysis of the financial status of Tipton County Emergency Communications District begins below.

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the 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 in a way that helps 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.

CONDENSED COMPARATIVE FINANCIAL INFORMATION

The District's total net position decreased from a year ago, and this analysis presents net position at June 30 for two years (Table 1) and the changes in net position (Table 2) for each of the years.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2013**

**TABLE 1
NET POSITION
(IN THOUSANDS)**

	2013	2012
Current Assets	\$ 1,718	\$ 1,630
Equipment	296	449
Total Assets	2,014	2,079
 Current Liabilities	 33	 56
 Net Position		
Net investment in capital assets	295	449
Unrestricted	1,686	1,574
Total Net Position	\$ 1,981	\$ 2,023

Total net position decreased by \$42,000 during the current year as a result of revenues from telephone tariffs and grants from participating governments, net of expenses.

A summary of the District's Statement of Revenues, Expenses, and Changes in Net Position is given below:

**TABLE 2
REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(IN THOUSANDS)**

	2013	2012
Revenues and Contributions		
Operating revenues	\$ 741	\$ 729
Contributions from local and other governments	433	337
Interest and other	(56)	25
Total Revenues and Contributions ..	1,118	1,091
 Operating Expenses		
Salaries and benefits	767	793
Contracted services	184	184
Supplies and materials	44	21
Depreciation	145	149
Other	20	20
Total Operating Expenses	1,160	1,167
 Capital Contributions	 -	 -
 Change in Net Position	 \$ (42)	 \$ (76)

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2013**

Our expenses were down from \$1,167,000 to \$1,160,000 largely due to decreased salaries and benefits of \$12,000, and depreciation of \$4,000. Other expenses were slightly less than last year.

BUDGETARY MATTERS

Several times during the course of the year budgeted income and expenses were changed to reflect changing expectations and desires of the board to allocate resources to achieve our objectives.

CAPITAL ASSET ADMINISTRATION

At the end of our fiscal year the District has a total of \$295,818 invested in various capital assets, primarily in communications equipment, stated at original cost less related depreciation expense.

**TABLE 3
CAPITAL ASSETS AT YEAR END
(IN THOUSANDS)**

	<u>2013</u>	<u>2012</u>
Deposit on equipment	\$ 47	\$ -
Equipment held for future use	2	68
Communication related equipment	223	355
Furniture and fixtures	-	1
Dispatch room	<u>24</u>	<u>25</u>
Total Capital Assets	<u>\$ 296</u>	<u>\$ 449</u>

There were minor purchases of capital assets this year totaling \$9,500, but a deposit of \$47,000 was made for new communication infrastructure of approximately \$140,000.

ECONOMIC FACTORS FOR NEXT YEAR

Because of continuing inflation and a steadily increasing population, the District had to raise its rates to several local government partners in the current fiscal year by a total of approximately \$68,000.

The District expects to purchase a total of \$240,000 in new equipment purchases for the fiscal year ending June 30, 2014. We expect to pay this amount from routine operations and state grants. No other large increases over the prior year's budget were made.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2013**

FINANCIAL CONTACT

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information, please contact the District's Director at 220 Highway 51 North, Covington, Tennessee 38019.

TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS**CURRENT ASSETS**

Cash and cash equivalents	\$ 595,706
Investments-certificates of deposit	1,052,189
Accrued interest receivable	1,056
Accounts receivable	12,097
Due from Tennessee Emergency Communications Board	<u>57,091</u>
TOTAL CURRENT ASSETS	<u>1,718,139</u>

NONCURRENT ASSETS**Capital Assets****Not being depreciated**

Equipment held for future use	2,000
Deposit on equipment	<u>47,333</u>
	<u>49,333</u>

Being depreciated

Communication equipment	1,048,962
Furniture	15,430
Vehicle	22,750
Leasehold improvements	33,460
Less accumulated depreciation	<u>(874,117)</u>
	<u>246,485</u>

**TOTAL CAPITAL ASSETS, NET OF
ACCUMULATED DEPRECIATION**

295,818

TOTAL ASSETS **\$ 2,013,957**

LIABILITIES AND NET POSITION**CURRENT LIABILITIES**

Accounts payable	\$ 6,756
Accrued payroll	7,249
Accrued expenses	8,339
Compensated absences	<u>10,265</u>
TOTAL CURRENT LIABILITIES	<u>32,609</u>

NET POSITION

Net investment in capital assets	295,818
Unrestricted	<u>1,685,530</u>
TOTAL NET POSITION	<u>1,981,348</u>

TOTAL LIABILITIES AND NET POSITION **\$ 2,013,957**

See notes to financial statements

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2013**

OPERATING REVENUES

Emergency telephone service charges	\$ 324,943
Tennessee Emergency Communications Board	
Shared wireless charge	156,010
Operational funding	<u>259,748</u>
TOTAL OPERATING REVENUE	<u>740,701</u>

OPERATING EXPENSES

Salaries and wages	
Director	47,602
Administrative personnel	36,806
Dispatchers	442,783
Part time personnel	17,059
Bonuses	<u>14,711</u>
	<u>558,961</u>
Employee benefits	
Payroll taxes	44,624
Insurance	120,016
Retirement	<u>43,897</u>
	<u>208,537</u>
Contracted services	
Address/map	4,908
Advertising	145
Audit and accounting services	9,495
Legal services	1,496
NCIC/TBI/TIES expenses	2,240
Consultants	9,319
Maintenance	72,658
Noncapitalized equipment	21,358
Other contracted services	<u>62,717</u>
	<u>184,336</u>
Supplies and materials	
Office supplies and postage	4,070
Noncapitalized equipment	20,545
Other supplies	1,744
Utilities and telephones	<u>17,179</u>
	<u>43,538</u>
Other charges	
Insurance	11,456
Training and travel	3,198
Other	<u>4,757</u>
	<u>19,411</u>
Depreciation	<u>144,708</u>
TOTAL OPERATING EXPENSES	<u>1,159,491</u>

OPERATING (LOSS) (418,790)

See notes to financial statements

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION - CONTINUED
YEAR ENDED JUNE 30, 2013**

NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 9,729
Contributions from governments	
Primary government	169,000
Other governments	184,400
Grant from Tennessee Emergency Communications Board	79,437
Impairment loss on equipment not in use	(65,500)
Other	<u>64</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>377,130</u>
CHANGE IN NET POSITION	(41,660)
NET POSITION	
Balance at July 1, 2012	<u>2,023,008</u>
Balance at June 30, 2013	<u><u>\$ 1,981,348</u></u>

See notes to financial statements

TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from surcharges and other operating revenues	\$ 755,733
Cash payments to suppliers for goods and services	(267,871)
Cash payments for payroll, taxes, and employee benefits	(770,548)
Other revenues	<u>64</u>
Net cash (used) by operating activities	<u>(282,622)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Contributions from primary government	169,000
Contributions from other governments	184,400
Grant from Tennessee Emergency Communications Board	<u>79,437</u>
Net cash provided by noncapital financing activities	<u>432,837</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES**

Purchase of capital assets	<u>(56,829)</u>
Net cash (used) by capital and related financing activities	<u>(56,829)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Maturities of investments	102,883
Interest income	<u>3,409</u>
Net cash provided by investing activities	<u>106,292</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 199,678

CASH AND CASH EQUIVALENTS

Balance at July 1, 2012	<u>396,028</u>
Balance at June 30, 2013	<u>\$ 595,706</u>

See notes to financial statements

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS - CONTINUED
YEAR ENDED JUNE 30, 2013**

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

Operating (loss)	\$ (418,790)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	144,708
Other nonoperating revenue	64
Changes in assets and liabilities	
Accounts receivable	17,110
Due from Tennessee Emergency Communications Board	(2,078)
Accounts payable	(17,681)
Accrued payroll	(840)
Accrued expenses	(2,905)
Compensated absences	<u>(2,210)</u>
	<u>136,168</u>

NET CASH (USED) BY OPERATING ACTIVITIES \$ (282,622)

**NONCASH INVESTING, CAPITAL AND
FINANCING ACTIVITIES**

Interest credited to certificates of deposit

	<u>\$ 7,206</u>
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See notes to financial statements

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL STATEMENT - Tipton County Emergency Communications District (District) complies with accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The District applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect).

FINANCIAL REPORTING ENTITY - The District is a component unit of Tipton County, Tennessee, the primary government unit. The District is considered a component unit of Tipton County because Tipton County appoints a majority of the District's Board of Directors, and the District must obtain County Commission approval before the issuance of most debt and/or the County Commission has the ability to adjust the District's service charges. The financial statements present only the financial position and changes in financial position of the District and are not intended to present fairly the financial position of Tipton County, Tennessee and the changes in its financial position in conformity with U.S. generally accepted accounting principles.

The District was formed by the Tipton County Legislature under provisions of Tennessee law on June 30, 1988. As such, it is a public corporation authorized to maintain and operate an emergency communications system providing 911 service within the boundaries of Tipton County, Tennessee. Under law it is a body politic, without powers of taxation, governed by an appointed nine-member Board of Directors. It is funded by monthly user fees, or tariff rates, charged on each resident and business telephone within the County, contributions from participating governments, and by funding from the Tennessee Emergency Communications Board.

BASIS OF PRESENTATION - The financial statements of the District are organized into a fund, which is considered to be a separate accounting entity. The fund is accounted for by providing a set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenses. The financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

PROPRIETARY FUND

Enterprise Fund - An Enterprise Fund is used to account for business-like activities that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Enterprise Fund accounts for the operations of the emergency communications system. Operating revenues are derived principally from service charges and funding from the Tennessee Emergency Communications Board.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Measurement focus is a term used to describe “which” transactions are recorded within the financial statements.

The proprietary fund is accounted for using the “economic resources” measurement focus. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. Proprietary funds utilize the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

DEPOSITS - Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. Although the District has not formally adopted a policy regarding collateralization of deposits, the District follows collateralization requirements of State statutes.

INVESTMENTS - State statutes authorize the District to invest in obligations of the U.S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest by the United States or any of its agencies, repurchase agreements, the Tennessee local government investment pool, and certificates of deposit at state and federally chartered banks and savings and loan associations. The District has not adopted a formal investment policy that limits its interest rate or credit risk.

Investments with a remaining maturity of more than one year at the time of purchase are reported at fair value as determined by quoted market prices. Short-term investments are reported at amortized cost, which approximates fair value.

ACCOUNTS RECEIVABLE - Accounts receivable result principally from unpaid user fees or tariff rates. Accounts receivable are reported net of any necessary allowance for uncollectible accounts and revenues are reported net of uncollectibles. Allowances, or any need therefore, are based on past history of uncollectible accounts and management’s analysis of current accounts. There was no allowance for uncollectible accounts at June 30, 2013 nor any uncollectible amounts netted with charges for user fees or tariffs for the year ended June 30, 2013.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

CAPITAL ASSETS - Capital assets include property and equipment. The District has adopted a formal capitalization policy whereby assets with an individual cost of at least \$7,500 and an estimated useful life in excess of one year are capitalized. The District's assets are capitalized at historical cost or estimated historical cost. Gifts or contributions of capital assets are recorded at fair value when received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

A provision for depreciation is made on a basis considered adequate to amortize costs over the assets' estimated useful lives using the straight-line method. Useful lives are estimated at 5 - 10 years.

RESTRICTED RESOURCES - The District elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

NET POSITION - Equity is classified as net position and displayed in the following three components:

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation.

Restricted - Consists of net position for which constraints are placed thereon by outside sources or external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.

Unrestricted - All other net position that do not meet the description of the above categories.

CASH FLOWS - For purposes of reporting cash flows, cash consists of cash on hand and on deposit with banks. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Certificates of deposit with original maturities of three months or more when purchased are classified as investments.

RETIREMENT PLAN - Costs of the retirement plan are computed by the frozen entry age actuarial cost method, including a cost-of-living provision and amortization of prior service costs. Pension costs are funded as accrued.

COMPENSATED ABSENCES - Vacation pay for employees is accrued as an expense at the time the employees have a vested right to receive it. Sick leave is not accrued as the employees never have a vested right to receive it.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BUDGETS - The District prepares a budget for management monitoring and control and to comply with Tennessee law. The budget, which is prepared at the line item level, is approved by the Board of Directors and is on a basis generally consistent with generally accepted accounting principles. Appropriations lapse at the end of the year.

NOTE 2 - DEPOSITS AND INVESTMENTS

The bank balances of deposits as of June 30, 2013 were entirely insured by federal depository insurance or by the Bank Collateral Pool of the State of Tennessee.

The only investments were certificates of deposit of more than 90 days to original maturity when purchased.

NOTE 3 - CAPITAL ASSETS

Capital asset activity during the year was as follows:

	<u>BALANCE JULY 1, 2012</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ DELETIONS</u>	<u>BALANCE JUNE 30, 2013</u>
Capital assets not being depreciated				
Equipment not in use	\$ 67,500	\$ -	\$ (65,500)	\$ 2,000
Deposit on equipment	<u>-</u>	<u>47,333</u>	<u>-</u>	<u>47,333</u>
Total capital assets not being depreciated	<u>67,500</u>	<u>47,333</u>	<u>(65,500)</u>	<u>49,333</u>
Other capital assets				
Communication equipment	1,039,466	9,496	-	1,048,962
Furniture	15,430	-	-	15,430
Vehicle	22,750	-	-	22,750
Leasehold improvements	<u>33,460</u>	<u>-</u>	<u>-</u>	<u>33,460</u>
Total other capital assets at historical cost	<u>1,111,106</u>	<u>9,496</u>	<u>-</u>	<u>1,120,602</u>
Less accumulated depreciation				
Communication equipment	(684,371)	(141,883)	-	(826,254)
Furniture	(14,014)	(1,284)	-	(15,298)
Vehicle	(22,750)	-	-	(22,750)
Leasehold improvements	<u>(8,274)</u>	<u>(1,541)</u>	<u>-</u>	<u>(9,815)</u>
Total accumulated depreciation	<u>(729,409)</u>	<u>(144,708)</u>	<u>-</u>	<u>(874,117)</u>
Other capital assets, net	<u>381,697</u>	<u>(135,212)</u>	<u>-</u>	<u>246,485</u>
Capital assets, net	<u>\$ 449,197</u>	<u>\$ (87,879)</u>	<u>\$ (65,500)</u>	<u>\$ 295,818</u>

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2013**

NOTE 3 - CAPITAL ASSETS - CONTINUED

The District reduced the carrying value of equipment not in use in the amount of \$65,500 due to a permanent reduction in their value.

In May 2013, a down payment of \$47,333 was made for communication equipment. The remaining balance of \$94,667 is payable upon delivery and acceptance of the communication equipment.

Depreciation expense for the year ended June 30, 2013 was \$144,708.

The District occupies space in a county-owned building at no rent expense.

NOTE 4- 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, employment practices, public officials liability, worker's compensation, and employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 5 - 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). 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 became 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 5 years of service and members joining prior to July 1, 1979 were vested after 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 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 www.treasury.state.tn.us/tcrs/ps.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2013**

NOTE 5 - RETIREMENT PLAN - CONTINUED

FUNDING POLICY - The District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0% of annual covered payroll.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013 was 8.06% 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 \$43,897 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 percent 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 is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 2 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

TREND INFORMATION

<u>FISCAL YEAR ENDED</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
6/30/13	\$43,897	100.00%	\$0.00
6/30/12	\$50,836	100.00%	\$0.00
6/30/11	\$49,301	100.00%	\$0.00

FUNDED STATUS AND FUNDING PROGRESS - As of July 1, 2011, the most recent actuarial valuation date, the plan was 96.81% funded. The actuarial accrued liability for benefits was \$.58 million, and the actuarial value of assets was \$.56 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.02 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.55 million, and the ratio of the UAAL to the covered payroll was 3.34%.

The Schedule of Funding Progress, presented as required supplementary information (RSI) 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 AALs for benefits.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2013**

NOTE 5 - RETIREMENT PLAN - CONTINUED

(Dollar amounts in thousands)

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF PLAN ASSETS (A)</u>	<u>ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (B)</u>	<u>UNFUNDED AAL (UAAL) (B) - (A)</u>	<u>FUNDED RATIO (A)/(B)</u>	<u>COVERED PAYROLL (C)</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL ((B - A)/(C)</u>
7/01/11	\$ 560	\$ 579	\$ 19	96.81 %	\$ 553	3.34 %

REQUIRED SUPPLEMENTARY INFORMATION

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
RETIREMENT PLAN - SCHEDULE OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2013**

(Dollar amounts in thousands)

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS (A)</u>	<u>ACTUARIAL ACCRUED LIABILITY (AAL) (B)</u>	<u>UNFUNDED AAL (UAAL) (B)-(A)</u>	<u>FUNDED RATIO (A/B)</u>	<u>ANNUAL COVERED PAYROLL (C)</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL ((B-A)/(C))</u>
7/01/11	\$560	\$579	\$19	96.81%	\$553	3.34%
7/01/09	\$367	\$390	\$23	94.29%	\$537	4.14%
7/01/07	\$262	\$287	\$25	91.29%	\$427	5.85%

SCHEDULE

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON
YEAR ENDED JUNE 30, 2013**

	<u>ACTUAL</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET UNDER(OVER)</u>
		<u>ORIGINAL</u>	<u>FINAL</u>	
OPERATING REVENUES				
Emergency telephone service charges				
AT&T	\$ 136,523	\$ 144,000	\$ 144,000	\$ 7,477
Millington Telephone	165,960	164,000	164,000	(1,960)
Other	22,460	15,000	15,000	(7,460)
Tennessee Emergency Communications Board				
Shared wireless charge	156,010	120,000	120,000	(36,010)
Operational funding	<u>259,748</u>	<u>246,855</u>	<u>246,855</u>	<u>(12,893)</u>
TOTAL OPERATING REVENUES	<u>740,701</u>	<u>689,855</u>	<u>689,855</u>	<u>(50,846)</u>
OPERATING EXPENSES				
Salaries and wages				
Director	47,602	47,419	47,419	(183)
Administrative personnel	36,806	37,527	37,527	721
Dispatchers				
Regular	427,248	454,563	454,563	27,315
Overtime	15,535	20,000	20,000	4,465
Part time personnel	17,059	20,800	20,800	3,741
Bonuses	<u>14,711</u>	<u>-</u>	<u>14,711</u>	<u>-</u>
	<u>558,961</u>	<u>580,309</u>	<u>595,020</u>	<u>36,059</u>
Employee benefits				
Payroll taxes				
Social security tax	34,506	60,000	44,394	9,888
Medicare tax	8,070	-	15,606	7,536
Unemployment insurance	2,047	-	2,844	797
Insurance				
Life	1,128	1,368	1,368	240
Health	118,888	143,000	137,294	18,406
Retirement	<u>43,897</u>	<u>46,402</u>	<u>46,402</u>	<u>2,505</u>
	<u>208,537</u>	<u>250,770</u>	<u>247,908</u>	<u>39,371</u>
Contracted services				
Address/map	4,908	5,500	4,908	-
Advertising	145	600	600	455
Audit and accounting services				
Audit and accounting services	6,075	11,000	6,075	-
Accounting	3,420	-	4,200	780
Private	2,505	2,505	2,505	-
Legal services	1,496	4,000	4,000	2,504
NCIC/TBI/TIES expenses	2,240	2,240	2,240	-

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON - CONTINUED
YEAR ENDED JUNE 30, 2013**

	<u>ACTUAL</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET UNDER(OVER)</u>
		<u>ORIGINAL</u>	<u>FINAL</u>	
OPERATING EXPENSES - CONTINUED				
Contracted services - continued				
Consultants				
Consultants	\$ (3,864)	\$ 40,000	\$ -	\$ 3,864
Other consultants	13,183	-	12,660	(523)
Maintenance				
Maintenance agreements	44,769	45,000	45,000	231
Maintenance and repairs	25,569	30,400	17,824	(8,340)
Vehicle maintenance	709	1,008	1,008	299
Vehicle fuel	1,611	1,680	1,680	69
Noncapitalized equipment				
Communication equipment ...	21,356	-	24,302	2,946
Other equipment	-	7,000	-	-
Other contracted services				
Lease/rental	-	3,600	-	-
Service fees	57,359	65,000	65,000	7,641
Lease/rental - communication equipment	2,647	-	2,634	(13)
Lease/rental - vehicles	206	-	206	-
	<u>184,336</u>	<u>219,533</u>	<u>194,843</u>	<u>10,507</u>
Supplies and materials				
Office supplies and postage				
Office supplies	3,705	4,000	4,000	295
Postage	365	600	600	235
Noncapitalized equipment	20,545	-	17,313	(3,232)
Other supplies				
Custodial supplies	1,013	1,680	1,680	667
Other supplies	731	1,200	1,200	469
Utilities				
Electric	2,767	6,000	6,000	3,233
Cell phones and pagers	1,745	-	2,472	727
Telephone	12,667	15,000	12,528	(139)
	<u>43,538</u>	<u>28,480</u>	<u>45,793</u>	<u>2,255</u>
Other charges				
Other				
Bank charges	425	780	780	355
Dues and memberships	703	1,200	1,200	497
Internet	1,535	2,520	1,463	(72)
Board/employee meeting	-	480	-	-
Miscellaneous	2,094	-	3,000	906
Insurance				
Workmens compensation	2,613	3,500	2,613	-
Liability	5,909	7,000	5,909	-

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON - CONTINUED
YEAR ENDED JUNE 30, 2013**

	<u>ACTUAL</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET UNDER(OVER)</u>
		<u>ORIGINAL</u>	<u>FINAL</u>	
OPERATING EXPENSES - CONTINUED				
Other charges - continued				
Insurance - continued				
Vehicle	\$ 1,196	\$ 1,500	\$ 1,196	\$ -
Licenses and fees	200	-	200	-
Surety bond	1,538	2,500	1,538	-
Training and travel				
Travel	2,897	4,260	4,260	1,363
Other	301	4,260	4,260	3,959
	<u>19,411</u>	<u>28,000</u>	<u>26,419</u>	<u>7,008</u>
Depreciation	<u>144,708</u>	<u>145,000</u>	<u>145,000</u>	<u>292</u>
TOTAL OPERATING EXPENSES	<u>1,159,491</u>	<u>1,252,093</u>	<u>1,254,983</u>	<u>95,493</u>
OPERATING (LOSS)	<u>(418,790)</u>	<u>(562,238)</u>	<u>(565,128)</u>	<u>(146,338)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	9,729	13,000	13,000	3,271
Contributions from governments				
Primary government	169,000	160,000	160,000	(9,000)
Other governments				
Town of Atoka	30,000	30,000	30,000	-
Town of Brighton	18,120	18,120	18,120	-
City of Covington	100,000	100,000	100,000	-
Town of Mason	6,280	6,280	6,280	-
City of Munford	30,000	30,000	30,000	-
Grant from Tennessee Emergency Communications Board	79,437	-	35,425	(44,012)
Impairment loss on equipment - not in use	(65,500)	-	-	65,500
Other	64	6,240	6,240	6,176
TOTAL NONOPERATING REVENUES (EXPENSES) ...	<u>377,130</u>	<u>363,640</u>	<u>399,065</u>	<u>21,935</u>
CHANGE IN NET POSITION	<u>(41,660)</u>	<u>(198,598)</u>	<u>(166,063)</u>	<u>(124,403)</u>
NET POSITION				
Balance at July 1, 2012	<u>2,023,008</u>	<u>2,023,008</u>	<u>2,023,008</u>	<u>-</u>
Balance at June 30, 2013	<u>\$ 1,981,348</u>	<u>\$ 1,824,410</u>	<u>\$ 1,856,945</u>	<u>\$ (124,403)</u>

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

To the Board of Directors
Tipton County Emergency Communications District
Covington, 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 Tipton County Emergency Communications District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Tipton County Emergency Communications District's basic financial statements and have issued our report thereon dated November 6, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tipton 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 Tipton County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Tipton County Emergency Communication 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 Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness (Item No. 2011-01).

Compliance and Other Matters

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

Tipton County Emergency Communications District's Response to Findings

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

Purpose of this Report

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



**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013**

Material Weakness

Item No. 2011-01: Adjustment of General Ledger Account Balances

Condition: Audit adjustments are proposed when necessary to correct material misstatements in general ledger account balances. During the current year, a material audit adjustment was proposed to reflect an impairment loss on equipment not in use. This adjustment had the effect of decreasing net capital assets and change in net position by \$65,500, respectively.

Criteria: The District is responsible for internal controls over the adjustment of its general ledger account balances.

Effect: The general ledger account balances for capital assets and nonoperating revenues were misstated.

Recommendation: Appropriate care should be taken to ensure that general ledger account balances are properly stated prior to commencement of the audit.

Management response: We will coordinate such matters with our contract CPA to try to avoid such misstatements in the future.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATUS OF PRIOR YEARS' FINDINGS
YEAR ENDED JUNE 30, 2013**

Item Corrected

Item No. 2012-01: Cash Receipts

Item Not Corrected

Item No. 2011-01: Adjustment of General Ledger Account Balances