Financial Statements

SEVIER COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Years Ended June 30, 2013 and 2012

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MEH MITCHELL EMERT & HILL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Sevier County Emergency Communications District
Sevierville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Sevier County Emergency Communications District, a component unit of Sevier County, Tennessee, as of June 30, 2013 and 2012 which comprise the statements of net position, the related statements of revenue, expenses and change in net position and statements 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. 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.

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Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the net position of Sevier County Emergency Communications District as of June 30, 2013 and 2012 and the changes 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 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sevier 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 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 information 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 August 27, 2013 on our consideration of Sevier 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 Sevier County Emergency Communications District's internal control over financial reporting and compliance.

Mitchell Emert & Hill

August 27, 2013

VINCE LOVEDAY
911 Coordinator

Management's Discussion and Analysis
June 30, 2013

As management of the Sevier County Emergency Communications District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $3,046,597 (net position). Of this amount, $1,922,448 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the District reported ending net position of $3,046,597, an increase of $60,383 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which is comprised of the basic financial statements and the notes to the financial statements. Since the District is comprised of a single enterprise fund, no fund level financial statements are shown.

Basic financial statements. The basic financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in an increase in net position which indicates an improved financial position.

The statement of revenues, expenses and change in net position presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the information provided in the basic financial statements. The notes to the financial statements can be found on pages 13 through 20 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budget to actual comparison and certain non-financial information required by the Tennessee Emergency Communications Board.

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Financial Analysis of the District's Funds

Sevier County Emergency Communications District
Statement of Net Position

	2013	2012	2011
Current and Other Assets	$ 2,156,312	$ 1,805,846	$ 1,569,643
Capital Assets	1,124,149	1,195,904	1,173,044
Total Assets	$ 3,280,461	$ 3,001,750	$ 2,742,687
Total Liabilities	$ 233,864	$ 15,536	$ 20,764
Net Position:			
Invested in capital assets	1,124,149	1,195,904	1,173,044
Unrestricted	1,922,448	1,790,310	1,548,879
Total Liabilities and Net Position	$ 3,280,461	$ 3,001,750	$ 2,742,687

The balance of unrestricted net position, $1,922,448, may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District is able to report a positive balance in the net position category.

The District's net position increased by $60,383 during the current fiscal year ($264,298 during the year ended June 30, 2012 and $177,317 during the year ended June 30, 2011).

The following is a summary of financial activities for the District during the fiscal year ended June 30, 2013, 2012 and 2011:

Sevier County Emergency Communications District
Statement of Revenues, Expenses and Change in Net Position

	2013	2012	2011
Revenues:			
Operating Revenues:			
Charges for services	$ 621,413	$ 656,374	$ 671,952
Operational funding	362,547	354,917	305,803
Non-Operating Revenues:			
Government appropriations	233,661	138,000	10,000
Interest income	14,966	5,039	18,412
Total Revenues	1,232,587	1,154,330	1,006,167
Total Expenses	1,172,204	890,033	828,850
Change in net position	60,383	264,298	177,317
Beginning Net Position	2,986,214	2,721,923	2,544,606
Ending Net Position	$ 3,046,597	$ 2,986,214	$ 2,721,923

Budgetary Highlights

The original budget was approved in June 2012 for the fiscal year ended June 30, 2013. There were several changes to the original budget regarding expense accounts. The board approved changes to distribute budgeted expenses from accounts which had less expenses than expected to accounts which had more expenses than originally expected.

Capital Asset Administration

The District's investment in capital assets for its activities as of June 30, 2013, amounts to $1,124,149 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, machinery and equipment, and software.

Major capital asset events during the current fiscal year included the following:

- Office equipment at a cost of $8,054
- PSAP communications equipment at a cost of $96,973.
- Computer software at a cost of $30,239.
- Construction in progress for a back-up PSAP location of $2,955.

Sevier County Emergency Communications District's Capital Assets
(Net of Depreciation)

	2013	2012	2011
Equipment	$ 715,261	$ 771,390	$ 727,112
Furniture and fixtures	8,869	8,536	11,042
Buildings and improvements	397,065	415,977	434,889
Construction in progress	2,955	0	0
Total capital assets	$ 1,124,149	$ 1,195,904	$ 1,173,044

Additional information on the District's capital assets can be found in Note D.

Economic Factors

The main economic factor facing the Sevier County Emergency Communications District is the potential decrease in revenue generated from landline telephones. Many residents now use cell phones for the 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 become a problem in estimating revenue for budget preparation. However, recent reports from telephone companies indicate that monthly losses of landline revenue may be stabilizing and may remain at a more manageable level in the future.

Requests for Information

This financial report is designed to provide a general overview of the Sevier County Emergency Communications District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Director, Sevier County Emergency Communications District, 245 Bruce Street, Sevierville, TN 37862.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF NET POSITION

June 30, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	$ 406,087	$ 262,914
Certificates of deposit	1,650,162	1,436,759
Accounts receivable	69,202	79,032
Prepaid expenses	30,860	27,142
TOTAL CURRENT ASSETS	2,156,312	1,805,846
CAPITAL ASSETS		
Building and improvements	697,861	697,861
Construction in progress	2,955	0
Furniture and fixtures	80,648	78,570
Equipment	1,918,967	1,785,779
Vehicles	49,438	49,438
	2,749,869	2,611,648
Accumulated depreciation	(1,625,720)	(1,415,744)
	1,124,149	1,195,904
TOTAL ASSETS	$ 3,280,461	$ 3,001,750

See the accompanying notes to the financial statements.

	2013	2012
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 225,920	$ 5,387
Accrued expenses	0	2,147
Compensated absences payable	7,944	8,002
TOTAL CURRENT LIABILITIES	233,864	15,536
NET POSITION		
Invested in capital assets	1,124,149	1,195,904
Unrestricted	1,922,448	1,790,310
	3,046,597	2,986,214
TOTAL LIABILITIES AND NET POSITION	$ 3,280,461	$ 3,001,750

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

Years Ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUE		
Emergency telephone service charges	$ 399,275	$ 446,821
TECB-shared wireless charge	220,936	209,236
TECB-operational funding	362,547	354,917
Other operating revenue	1,202	317
TOTAL OPERATING REVENUE	983,959	1,011,292
OPERATING EXPENSES		
Salaries and wages:		
Director	66,689	65,105
Administrative personnel	153,379	153,808
	220,067	218,913
Employee benefits:		
Payroll taxes	16,357	16,012
Medical insurance	36,645	33,180
Retirement	29,362	28,166
	82,364	77,358
Contracted services:		
Advertising	721	736
Auditing services	7,468	7,234
Contracts with government agencies	200,000	0
Fees paid to service providers	80,021	84,088
Maintenance agreements	154,704	127,711
Janitorial services	8,947	9,488
Mapping/Data base consultants	19,814	21,640
Maintenance and repairs-communications equipment	187	9,578
Maintenance and repairs-buildings and facilities	55,191	22,049
Maintenance and repairs-office equipment	460	0
Maintenance and repairs-vehicles	600	0
Fuel-vehicles	1,855	1,521
	529,968	284,044

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
(continued)

Years Ended June 30, 2013 and 2012

	2013	2012
Supplies and materials:		
Office supplies	3,852	2,991
Custodial supplies	448	513
Postage	336	322
Small equipment purchases	6,361	5,823
Utilities-electric	21,577	21,255
Utilities-water and sewer	575	478
Utilities-general telephone	34,773	27,773
Utilities-cell phone	1,369	1,280
	69,291	60,435
Other charges:		
Board meeting expenses	2,394	3,130
Dues and memberships	1,081	1,056
Internet service	1,300	1,269
Insurance	20,410	19,498
Licenses and fees	3,970	0
Premiums on surety bonds	3,475	1,900
Public education	13,120	12,520
Training	14,787	26,719
	60,537	66,091
Depreciation	209,976	182,500
TOTAL OPERATING EXPENSES	1,172,204	889,342
(LOSS)INCOME FROM OPERATIONS	(188,244)	121,950

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
(continued)

Years Ended June 30, 2013 and 2012

	2013	2012
NONOPERATING REVENUE(EXPENSE)		
Other TECB funding	233,661	138,000
Interest income	14,966	5,039
Loss on disposals	0	(691)
	248,627	142,348
CHANGE IN NET POSITION	60,383	264,298
NET POSITION AT THE BEGINNING OF THE YEAR	2,986,214	2,721,923
NET POSITION AT THE END OF THE YEAR	$ 3,046,597	$ 2,986,214

See the accompanying notes to the financial statements.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 and 2012

	2013	2012
CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Cash received from telephone charges	$ 1,006,253	$ 1,028,896
Cash paid to suppliers	(539,958)	(506,821)
Cash paid to employees	(220,125)	(219,145)
NET CASH PROVIDED BY OPERATING ACTIVITIES	246,170	302,930
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(138,220)	(206,053)
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES		
TECB-grants	233,661	138,000
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
Increase in investments	(13,403)	(6,824)
Purchase of investments	(200,000)	(173,114)
Interest received	14,966	5,039
NET CASH (USED) BY INVESTING ACTIVITIES	(198,437)	(174,899)
NET INCREASE IN CASH	143,174	59,974
CASH AT THE BEGINNING OF THE YEAR	262,914	202,940
CASH AT THE END OF THE YEAR	$ 406,087	$ 262,914
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Loss on disposal of capital assets	$ 0	$ 691

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF CASH FLOWS
(continued)

Years Ended June 30, 2013 and 2012

	2013	2012
RECONCILIATION OF (LOSS) INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
(Loss)income from operations	$ (188,244)	$ 121,950
Adjustments to reconcile (loss)income from operations to net cash provided by operating activities:		
Depreciation	209,976	182,500
(Increase)decrease in:		
Accounts receivable	9,829	5,104
Prepaid expenses	(3,719)	(1,396)
Increase(decrease) in:		
Accounts payable	220,533	(7,143)
Accrued expenses	(2,147)	2,147
Compensated absences payable	(58)	(232)
	434,414	180,980
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 246,170	$ 302,930

See the accompanying notes to the financial statements.

NOTE A - DESCRIPTION OF ORGANIZATION

Sevier County Emergency Communications District (the District) was established in February 1987, 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 Sevier County, Tennessee. The District is governed by a nine-member Board of Directors appointed by the Mayor and County Commissioners of Sevier 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 is considered a component unit of Sevier County, Tennessee because the Sevier County mayor appoints, and the Sevier 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

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

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

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

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

	2013	2012
Capital assets	$ 2,749,869	$ 2,611,648
Accumulated depreciation	(1,625,720)	(1,415,744)
	$ 1,124,149	$ 1,195,904

Restricted: This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District had no restricted net position as of June 30, 2013 and 2012.

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

Accounts Receivable

Accounts receivable that are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2013 and 2012, no allowances for uncollectible accounts were considered necessary.

Capital Assets

Capital assets, which includes property and equipment, are recorded at cost and defined by the District as assets with an initial, individual cost of $100 or more. Depreciation is computed using the straight-line method over the estimated useful lives, which range from three to forty years.

Operating Budget

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

Compensated Absences

The District's employees are granted vacation leave in varying amounts based on years of employment and eight hours of sick leave monthly. Vacation leave may be accumulated up to 120 hours. There is no restriction on the amount of sick leave that may be accumulated. Employees may receive payment for unused vacation leave, up to the 120 hour maximum, upon termination or resignation. Accumulated vacation leave is recorded as an expense and liability as the benefits accrue to the employees. The District's policies do not provide for an employee to be paid for any unused sick leave in the event of termination. Accordingly, no liability is recorded for accumulated sick leave.

Use of Restricted/Unrestricted Net Position

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

Emergency Telephone Service Charges

The District records emergency telephone service charge revenue collected from telephone service providers net of vendor compensation. Vendor compensation was $12,465 for the year ended June 30, 2013 and $12,500 for the year ended June 30, 2012.

Reclassifications

Certain reclassifications have been made to the financial statements for the year ended June 30, 2012 to conform to the presentation used in the financial statements for the year ended June 30, 2013.

NOTE C - CASH

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

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

All of the District's cash and cash equivalent balances at June 30, 2013 and 2012 were entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

NOTE D - CAPITAL ASSETS

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

	Balance 7/1/12	Additions	Retirements	Balance 6/30/13
Capital assets being depreciated				
Equipment	$ 1,785,779	$ 133,188	$ 0	$ 1,918,967
Furniture and fixtures	78,570	2,078	0	80,648
Buildings and improvements	697,861	0	0	697,861
Vehicles	49,438	0	0	49,438
Construction in progress	0	2,955	0	2,955
	2,611,648	138,221	0	2,749,869
Accumulated depreciation				
Equipment	(1,014,389)	(189,318)	0	(1,203,707)
Furniture and fixtures	(70,034)	(1,745)	0	(71,779)
Buildings and improvements	(281,884)	(18,912)	0	(300,796)
Vehicles	(49,438)	0	0	(49,438)
	(1,415,744)	(209,976)	0	(1,625,720)
	$ 1,195,904	$ (71,755)	$ 0	$ 1,124,149

NOTE D - CAPITAL ASSETS

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

	Balance 7/1/11	Additions	Retirements	Balance 6/30/12
Capital assets being depreciated				
Equipment	$ 1,730,043	$ 205,752	$ (150,016)	$ 1,785,779
Furniture and fixtures	84,859	300	(6,589)	78,570
Buildings and improvements	697,861	0	0	697,861
Vehicles	49,438	0	0	49,438
	2,562,201	206,052	(156,605)	2,611,648
Accumulated depreciation				
Equipment	(1,002,931)	(160,782)	149,325	(1,014,389)
Furniture and fixtures	(73,817)	(2,806)	6,589	(70,034)
Buildings and improvements	(262,972)	(18,912)	0	(281,884)
Vehicles	(49,438)	0	0	(49,438)
	(1,389,157)	(182,500)	155,914	(1,415,744)
	$ 1,173,044	$ 23,552	$ (691)	$ 1,195,904

NOTE E - PENSION PLAN

Information for this footnote for the year ended June 30, 2013 was not available from the State of Tennessee treasurer's office in time for inclusion in this report; therefore, the information presented below is for the fiscal year ended June 30, 2012.

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 5 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.

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, 2012 was 12.98% 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, 2012, the District's annual pension cost of $28,166 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include: (a) 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, 2009 was 20 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Year Ended	Annual Pension Cost(APC)	Percentage of APC Contribution	Net Pension Obligation
6/30/12	$ 28,166	100.00%	$ 0
6/30/11	27,629	100.00%	0
6/30/10	24,982	100.00%	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 89.76% funded. The actuarial accrued liability (AAL) for benefits was $800,000, and the actuarial value of assets was $720,000, resulting in a UAAL of $80,000. The covered payroll (annual payroll of active employees covered by the plan) was $180,000, and the ratio of the UAAL to the covered payroll was 45.38%.

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 AALs for benefits.

Actuarial valuation date	7/1/11	7/1/09	7/1/07
Actuarial value of plan assets	$ 718,000	$ 521,000	$ 428,000
Actuarial accrued liability (AAL)	800,000	664,000	495,000
Unfunded AAL (UAAL)	82,000	143,000	67,000
Funded ratio	89.76%	78.46%	86.46%
Covered payroll	181,000	180,000	186,000
UAAL as a percentage of covered payroll	45.38%	79.47%	36.02%

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 participates in the Tennessee Municipal League Risk Management Pool (the Pool) and pays annual premiums to the Pool for general insurance coverage, destruction of property and workers' compensation insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The pooling agreement allows the Pool to make additional assessments or refund surplus revenue to the District. It is not possible to estimate the amount of such additional assessments or refunds.

REQUIRED SUPPLEMENTARY INFORMATION

SEVIER 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	$ 718,000	$ 521,000	$ 428,000
Actuarial accrued liability (AAL)	800,000	664,000	495,000
Unfunded AAL (UAAL)	82,000	143,000	67,000
Funded ratio	89.76%	78.46%	86.46%
Covered payroll	181,000	180,000	186,000
UAAL as a percentage of covered payroll	45.38%	79.47%	36.02%

Information for the year ended June 30, 2013 was not available from the State of Tennessee treasurer's office in time for inclusion in this report; therefore, the information presented above is for the fiscal year ended June 30, 2012.

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

Year Ended June 30, 2013

	Actual (Accrual basis)	Budget (Accrual basis)	Variance Over (Under)
OPERATING REVENUE			
Emergency telephone service charges, net	$ 399,275	$ 465,000	$ (65,725)
TECB-shared wireless charge	220,936	208,000	12,936
TECB-operational funding	362,547	354,200	8,347
Other operating revenue	1,202	300	902
TOTAL OPERATING REVENUE	983,959	1,027,500	(43,541)
OPERATING EXPENSES			
Salaries and wages:			
Director	66,689	67,000	(311)
Administrative personnel	153,379	155,223	(1,844)
	220,067	222,223	(2,155)
Employee benefits:			
Payroll taxes	16,357	16,357	0
Medical insurance	36,645	36,645	0
Retirement	29,362	29,362	0
	82,364	82,364	0
Contracted services:			
Advertising	721	1,000	(279)
Auditing services	7,468	7,468	0
Contracts with government agencies	200,000	200,000	0
Fees paid to service providers	80,021	82,100	(2,079)
Maintenance agreements	154,704	182,000	(27,296)
Janitorial services	8,947	9,000	(53)
Mapping/Data base consultants	19,814	18,710	1,104
Maintenance and repairs-communications equipment	187	3,600	(3,413)
Maintenance and repairs-buildings and facilities	55,191	55,645	(454)
Maintenance and repairs-office equipment	460	460	0

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET
(continued)

Year Ended June 30, 2013

	Actual (Accrual basis)	Budget (Accrual basis)	Variance Over (Under)
Contracted services(continued)			
Maintenance and repairs-			
Vehicles	600	600	0
Fuel vehicles	1,855	2,000	(145)
	529,968	562,583	(32,615)
Supplies and materials:			
Office supplies	3,852	3,895	(43)
Custodial supplies	448	448	0
Postage	336	336	0
Small equipment purchases	6,361	6,361	0
Utilities-electric	21,577	22,000	(423)
Utilities-water and sewer	575	650	(75)
Utilities-general telephone	34,773	40,221	(5,448)
Utilities-cell phone	1,369	1,600	(231)
	69,291	75,511	(6,220)
Other charges:			
Board meeting expenses	2,394	2,400	(6)
Dues and memberships	1,081	1,500	(419)
Internet service	1,300	1,600	(300)
Insurance	20,410	21,750	(1,340)
Licenses and fees	3,970	3,970	0
Premiums on surety bonds	3,475	3,475	0
Public education	13,120	13,000	120
Training	14,787	16,050	(1,263)
	60,537	63,745	(3,208)
Depreciation	209,976	177,500	32,476
TOTAL OPERATING EXPENSES	1,172,204	1,183,926	(11,722)
(LOSS) FROM OPERATIONS	(188,244)	(156,426)	(31,819)

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET
(continued)

Year Ended June 30, 2013

	Actual (Accrual basis)	Budget (Accrual basis)	Variance Over (Under)
NONOPERATING REVENUE			
Other TECB funding	233,661	143,000	90,661
Interest income	14,966	11,000	3,966
	248,627	154,000	94,627
CHANGE IN NET POSITION	60,383	(2,426)	62,808
NET POSITION AT THE BEGINNING OF THE YEAR	2,986,214	2,986,214	0
NET POSITION AT THE END OF THE YEAR	$ 3,046,597	$ 2,983,789	$ 62,808

See the accompanying independent accountants' audit report.

SEVIER COUNTY EMERGENCY COMMUNICAIONS DISTRICT

BOARD OF DIRECTORS

June 30, 2013

Board of Directors for 2012-2013

Jack Baldwin	Pigeon Forge Chief of Police	Chairman of the Board
Randy Brackins	Gatlinburg Chief of Police	Vice-Chairman
Larry Waters	Sevier County Mayor	Treasurer
Steve Huskey	Sevier County Ambulance Service	Secretary
Ron Seals	Sevier County Sheriff	Board Member
Tony Watson	Pigeon Forge Fire Department	Board Member
Don Myers	Sevierville Chief of Police	Board Member
Gene Byrd	County Commissioner	Board Member
Fred Atchley, Jr.	County Commissioner	Board Member

Management Officials for 2012-2013

Vince Loveday	District Coordinator
Alene Galyon	Office Manager

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

MEH MITCHELL EMERT & HILL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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
Sevier County Emergency Communications District
Sevierville, 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 Sevier County Emergency Communications District, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated August 27, 2013.

Internal Control Over Financial Reporting

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

416 Erin Drive • Knoxville, Tennessee 37919 • (865) 522-2396 • Fax (865) 523-6318

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sevier 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 audits, 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*.

We noted certain other matters that we have reported to management of Sevier County Emergency Communications District in a separate letter dated August 27, 2013.

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 Sevier 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 Sevier County Emergency Communications District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mitchell Ewert & Hill

August 27, 2013