

**CROCKETT COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2013

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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INTRODUCTORY SECTION

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
JUNE 30, 2013**

SCHEDULE OF OFFICIALS

Ben Mehr, Chairperson

Brandon Ward, Vice-Chairman

Casey Burnett, Board Member

Sherri Gideon, Board Member

Lloyd Johnson, Board Member

Jim Knox, Board Member

Jackie Perry, Board Member

Timmy Williams, Board Member

William Young, Board Member

Management Officials

Brian Black, Executive Director

FINANCIAL SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



Certified Public Accountants
Offices in Tennessee & Kentucky

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Independent Auditor's Report

Board of Directors
Crockett County Emergency Communications District
Alamo, Tennessee

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Crockett County Emergency Communications District, as of June 30, 2013, and the changes in financial position and cash flows thereof 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 on pages 4-7 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 Crockett County Emergency Communication District's basic financial statements. The schedule of officials, schedule of expenses and the budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule and the schedule of expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule and schedule of expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of officials 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 August 29, 2014 on our consideration of the Crockett 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 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 Crockett County Emergency Communications District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Abigail Thompson Audit PCCC". The signature is written in a cursive, flowing style.

Jackson, Tennessee
August 29, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Crockett 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. All amounts, unless otherwise indicated, are expressed in actual dollars.

FINANCIAL HIGHLIGHTS

Management believes the District's financial condition is strong. The District is well within its budget and the more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were \$800 thousand and exceeded liabilities in the amount of \$789 thousand (i.e. net position). Total assets increased by \$61 thousand.
- Net Position increased \$55 thousand during the current year.
- Operating revenues were \$279 thousand, an increase from year 2012 in the amount of \$46 thousand or 19.92%.
- Operating expenses were \$302 thousand, an decrease from year 2012 in the amount of \$7 thousand or 2.11%.
- The operating loss for the year was \$23 thousand as compared to a \$58 thousand operating loss during the 2012 fiscal year.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the District's strategic plan, budget and other management tools were used for this analysis. The financial report is made up of 4 sections: 1) the introductory section, 2) the financial section, 3) the other supplemental information, and 4) the internal control and compliance section. The introductory section includes the District's directory. The financial section includes the MD&A, the independent auditor's report, the financial statements with accompanying notes, and the required supplementary information. The other supplementary information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance. These sections make up the financial report presented here.

REQUIRED FINANCIAL STATEMENTS

A Proprietary Fund is used to account for the operations of the District, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements report information about the District, using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *Statement of Net Position* presents the financial position of the District on a full accrual, historical cost basis. The statement of net position includes all of the District's assets and liabilities and deferred inflows/outflows of resources, with the difference reported as net position. It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenues, Expenses and Changes in Net Position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the District's operations and can be used to determine whether the District has successfully recovered all of its costs. This statement also measures the District's profitability and credit worthiness.

The *Statement of Cash Flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. A *Supplementary Schedule* comparing the budget to actual expenses is also presented.

FINANCIAL ANALYSIS

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's activities in a way that will help answer this question. These two statements report the net Position of the District and the changes in the net position. Net Position are one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net Position are an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The District's total net Position increased by \$55 thousand for the fiscal year ended June 30, 2013. The analysis below focuses on the District's net position (Table 1) and changes in net position (Table 2) during the year.

Table 2A
CONDENSED STATEMENT NET POSITION

	June 30, 2013	June 30, 2012	Increase (Decrease)	
			\$	%
Current and other assets	\$ 533,854	\$ 395,738	\$ 138,116	34.90%
Capital assets	265,798	342,647	(76,849)	-22.43%
Total assets	799,652	738,385	61,267	8.30%
Total liabilities	10,927	4,614	6,313	136.82%
Net Investment in capital assets	265,798	342,647	(76,849)	-22.43%
Unrestricted net position	522,927	391,124	131,803	33.70%
Total net position	\$ 788,725	\$ 733,771	\$ 54,954	7.49%

The decrease in capital assets was the result of the depreciation of the new emergency equipment, which are upgrades for the District to be next gen compatible.

Changes in the District's net position can be determined by reviewing the following condensed Statement of Income, Expenses and Changes in Net Position for the years.

Table 2B
**CONDENSED STATEMENT OF INCOME, EXPENSES
AND CHANGES IN NET POSITION**

	June 30, 2013	June 30, 2012	Increase (Decrease)	
			\$	%
Operating revenues	\$ 278,989	\$ 232,642	\$ 46,347	19.92%
Non-operating revenues	6,837	21,228	(14,391)	-67.79%
Total revenues	<u>285,826</u>	<u>253,870</u>	<u>31,956</u>	12.59%
Salaries and wages	81,383	102,703	(21,320)	-20.76%
Employee benefits	6,588	8,207	(1,619)	-19.73%
Contracted services	76,827	58,675	18,152	30.94%
Supplies and materials	43,394	33,029	10,365	31.38%
Other charges	23,159	23,712	(553)	-2.33%
Depreciation	70,395	81,932	(11,537)	-14.08%
Non-operating expenses	<u>71,169</u>	<u>-</u>	<u>71,169</u>	100.00%
Total expenses	<u>372,915</u>	<u>308,258</u>	<u>64,657</u>	20.97%
Income (loss) before capital contributions	(87,089)	(54,388)	(32,701)	60.13%
Capital contributions from TECB	<u>142,043</u>	<u>-</u>	<u>142,043</u>	100.00%
Change in net position	54,954	(54,388)	109,342	-201.04%
Net position, July 1, 2012	<u>733,771</u>	<u>788,159</u>	<u>(54,388)</u>	-6.90%
Net position, June 30, 2013	<u>\$ 788,725</u>	<u>\$ 733,771</u>	<u>54,954</u>	7.49%

Operating revenues showed a 19.92% increase from 2012 to 2013. Expenses increase 20.97% from 2012 to 2013. The increase in expenses is primarily due to an increase in non operating expense from the disposal of old assets and cash shortages and theft during the year.

CAPITAL ASSETS

At the end of the fiscal year 2013, the system had \$266 thousand (net of accumulated depreciation) invested in a broad range of District capital assets. This investment includes automobiles, equipment and various fixtures and pieces of furniture. Based on the uses of the aforementioned assets, they are classified for financial purposes as leasehold improvements, furniture and fixtures, office equipment, and communication equipment. This investment represents an overall decrease (net of increases and decreases) of \$77 thousand or 22.43% from last year.

The following tables summarize the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2013. These changes are presented in detail in Note 2B to the financial statements.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	June 30,	June 30,	Increase (Decrease)	
	2013	2012	\$	%
Land	\$ 50,279	\$ 50,279	\$ -	0.00%
Leasehold Improvements	1,895	2,288	(393)	100.00%
Furniture and fixtures	-	4,606	(4,606)	-100.00%
Office equipment	4,102	7,762	(3,660)	-47.15%
Communication equipment	209,522	277,712	(68,190)	-24.55%
Total capital assets, net of accumulated depreciation	<u>\$265,798</u>	<u>\$342,647</u>	<u>\$(76,849)</u>	-22.43%

The District plans on using existing financial resources to keep upgrading existing systems and adding new systems where it sees fit and remain in compliance with the Tennessee Emergency Communications Board guidelines.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Due to the increased use of wireless devices and voice over internet protocol, the District expects shared wireless revenue to continue to increase in future years. The District's surcharge for each wireless device is currently set at \$1.00. This rate is set by the State and is not expected to increase in the coming year. Due to the decreased use of landline phones, the District expects the emergency telephone service charge revenue to decrease in future years. The District's surcharge is currently set at \$.65 and \$1.50 for residential and business lines, respectively.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any information provided in this report or requests for any additional information should be directed to the Executive Director of the Crockett County Emergency Communications District, 17 South Court Street; Alamo, TN 38001.

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
June 30, 2013

Assets	
Current assets	
Cash and cash equivalents	\$ 387,674
Accounts receivable	145,539
Accrued interest receivable	194
Prepaid expenses	<u>447</u>
Total current assets	533,854
Noncurrent assets	
Capital assets	
Building and improvements	2,744
Land	50,279
Furniture and fixtures	6,359
Office equipment	10,744
Communication equipment	548,212
Accumulated depreciation	<u>(352,540)</u>
Net capital assets	<u>265,798</u>
Total assets	799,652
Liabilities	
Accounts payable	7,553
Payroll taxes payable	<u>3,374</u>
Total current liabilities	<u>10,927</u>
Total liabilities	<u>10,927</u>
Net Position	
Net investment in capital assets	265,798
Unrestricted net position	<u>522,927</u>
Total net position	<u>\$ 788,725</u>

The accompanying notes are an integral part of the financial statements.

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For The Year Ended June 30, 2013

Operating Revenues	
Emergency telephone service charge	\$ 42,207
State Emergency Communications Board - shared wireless charge	35,354
State Emergency Communications Board - operational funding	154,032
Other operating revenues	<u>47,396</u>
Total operating revenues	<u>278,989</u>
Operating Expenses	
Salaries and wages	81,383
Employee benefits	6,588
Contracted services	76,827
Supplies and materials	43,394
Other charges	23,159
Depreciation	<u>70,395</u>
Total operating expenses	<u>301,746</u>
Operating income (loss)	<u>(22,757)</u>
Non-operating Revenues (Expenses)	
Interest income	1,149
Loss on disposal of property	(20,349)
Cash shortages and theft	(50,820)
Miscellaneous Income	<u>5,688</u>
Total non-operating revenues (expenses)	<u>(64,332)</u>
Income (loss) before capital contributions	(87,089)
Capital Contributions	
Capital contributions from TECB	<u>142,043</u>
Change in net position	54,954
Net position, July 1, 2012	<u>733,771</u>
Net position, June 30, 2013	<u>\$ 788,725</u>

The accompanying notes are an integral part of the financial statements.

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2013

Cash flows from operating activities	
Cash received from services	\$ 143,330
Cash paid to suppliers of goods and services	(137,996)
Cash paid for employees' services and benefits	<u>(137,661)</u>
Net cash provided (used) by operating activities	<u>(132,327)</u>
Cash flows from capital and related financing activities	
Capital contributions	<u>142,043</u>
Net cash provided (used) by financing activities	<u>142,043</u>
Cash flows from investing activities	
Purchase of investments	(340,000)
Sale of investments	340,000
Interest on investments	<u>1,256</u>
Net cash provided (used) by investing activities	<u>1,256</u>
Net increase (decrease) in cash	10,972
Cash and cash equivalents-July 1, 2012	<u>376,702</u>
Cash and cash equivalents-June 30, 2013	<u>\$ 387,674</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (22,757)
Miscellaneous income	5,688
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	70,395
Changes in assets and liabilities	
Accounts receivable	(141,347)
Prepaid expenses	201
Accounts payable	5,183
Cash shortages and theft	(50,820)
Payroll taxes payable	<u>1,130</u>
Net cash provided (used) by operating activities	<u>\$ (132,327)</u>

The accompanying notes are an integral part of the financial statements.

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Crockett County Emergency Communications District (the "District") was formed under the provisions of the "Emergency Communications District Law" of the State of Tennessee on May 1, 1998. As such, it is considered to be a "municipality" or public corporation in perpetuity under its corporate name and shall be a body politic and corporate with power of perpetual succession, but without power to levy or collect taxes. All Tennessee emergency communications districts are required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* developed by the Office of the Comptroller of the Treasury, Division of County Audit, pursuant to Section 7-86-304, *Tennessee Code Annotated*.

The District provides a uniform emergency number to shorten the time required for a citizen to request and receive emergency aid.

In evaluating how to define the Crockett County Emergency Communications District for financial reporting purposes, management has considered whether the District is a primary government or a component unit of another primary government. The decision to be included as a component unit of another reporting entity is made by applying the criteria set forth in Governmental Accounting Standards Board Statement 14 on *The Financial Reporting Entity*. The District must obtain the approval of the Crockett County Commission before issuance of most debt instruments. The County has determined that this constitutes fiscal dependency by the District and has, therefore, included the District as a component unit of Crockett County. The District has a board of directors appointed by the Crockett County legislative body.

The District includes only the funds relevant to the operation of the Crockett County Emergency Communications District. Therefore, the financial statements of the District include only those funds controlled and administered by the District and the governing board of directors. Control is determined on the basis of budget adoption, taxing authority, funding, and appointing of the governing board.

The District is deemed to be a municipality under Tennessee state law and, as such, is exempt from federal income taxes.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District is accounted for as a single enterprise fund as prescribed by the State. Enterprise funds are a type of proprietary fund, and as such, are reported in accordance with generally accepted accounting principles for proprietary funds as defined by the *Governmental Audit Standards Board* (GASB). Proprietary fund types are reported using the economic resources measurement focus and the accrual basis of accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entities net position. The accrual basis of accounting recognizes income as it is earned and expenses as they are incurred, whether or not cash is received or paid out at that time.

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

Operating revenues in proprietary funds are those revenues generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. The State has defined grants and reimbursements from TECB to be 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.

C. Assets, Liabilities, and Net Position

Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of inception.

State statutes authorize the District to invest in certificates of deposit, obligation of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements, as approved by the state director of local finance, and the state's local government investment pool.

Accounts receivable

The District bills all telephone customers within its boundaries by a surcharge on the telephone bills. The telephone companies and the Tennessee Emergency Communications Board then remit the collections on a regular basis to the District. At June 30, 2013, these telephone companies and Tennessee Emergency Communications Board are indebted to the District in the amount of \$145,539. There is no collateral or bonds securing these debts.

Capital assets

All capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. Any purchase of equipment, either for office or system use, purchased at a price in excess of \$5,000 and with an expected lifespan as mentioned above. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. For the year under review, there was no interest costs capitalized.

Deferred Outflows/Inflows of Resources

During the year ended June 30, 2013, the District adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of the statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category as of June 30, 2013.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net Position

Equity is classified as net position and displayed in the following components:

- Net Investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets.
- Unrestricted – All other net position that do not meet the description of the above category.

NOTE 2 – DETAILED NOTES ON ACCOUNTS

A. Deposits and investments

The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2013, \$388,212 of the District's bank balance was covered by federal depository insurance.

B. Capital Assets

Capital asset activity for the year was as follows:

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Description	Balance 7/1/12	Additions	Disposals	Balance 6/30/13
Capital assets, not being depreciated				
Land	\$ 50,279	\$ -	\$ -	\$ 50,279
Capital assets, being depreciated				
Buildings	2,744	-	-	2,744
Furniture and fixtures	13,499	-	7,140	6,359
Office equipment	14,378	-	3,634	10,744
Communication equipment	585,092	-	36,880	548,212
Total capital assets being depreciated	<u>615,713</u>	<u>-</u>	<u>47,654</u>	<u>568,059</u>
Less accumulated depreciation				
Buildings	457	392	-	849
Furniture and fixtures	8,893	1,065	3,599	6,359
Office equipment	6,616	1,994	1,968	6,642
Communication equipment	307,379	66,944	35,633	338,690
Total accumulated depreciation	<u>323,345</u>	<u>70,395</u>	<u>41,200</u>	<u>352,540</u>
Net capital assets	<u>\$ 342,647</u>	<u>\$ (70,395)</u>	<u>\$ 6,454</u>	<u>\$ 265,798</u>

Depreciation is recognized over the estimated useful lives of the property and equipment of 3 to 10 years using the straight-line method.

NOTE 3 – STEWARDSHIP, COMPLIANCE, and ACCOUNTABILITY

Budgetary Information

The District adopts a budget in accordance with the requirements of the Tennessee Emergency Communications Board and the Tennessee Code Annotated 7-86-120. This budget is adopted on an other comprehensive basis of accounting, which is not in accordance with generally accepted accounting principles. The budgetary basis of accounting includes expenditures for Capital assets and reduction of principal on long-term debt, but does not include depreciation. Expenditures are required to be within budgetary limits at the line item level of control.

The following budget overages were noted:

<u>Expense</u>	<u>Overage</u>
Small equipment purchases	\$ 266
Gas	4
Cable	1,039
Other supply	15
Miscellaneous	14
Other expense	22

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – OTHER INFORMATION

Funding sources

Funding for the District's operations is provided by monthly fees from service users in the County and by monthly fees from wireless cellular phone subscribers. Major and alternate local exchange carriers collect service fees from the county users and remit the funds to the District. The Tennessee Emergency Communications Board collects monthly service fees from wireless cellular phone subscribers and remits a set percentage to the District.

Commitments

The District participates in a rental agreement to lease office space for a monthly fee of \$400 per month. The District agreed to submit an annual rental payment of \$4,800 on July 1 of each year.

Risk management

The District is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the District to purchase commercial insurance for the risks of general liability, vehicle liability employee dishonesty, worker's compensation and physical damage to its capital assets. Settled claims have not exceeded this commercial coverage or in any coverage of the past three years.

Cash Shortages and Thefts

An investigative report issued by the Tennessee Comptroller of the Treasury in January of 2014 revealed that from July of 2010 through August of 2013, the Bookkeeper fraudulently issued checks totaling \$88,764 for personal use. The amount prior to July 1, 2012 totaled \$40,977 and for the year ended June 30, 2013, there was an additional \$38,732 totaling \$79,709 as of June 30, 2013. Subsequent to June 30, 2013 and during the period July 1, 2013 through August 2013 there was an additional \$9,055 for a total theft of \$88,764. As of April of 2014, litigation and sentencing are pending against the Bookkeeper in relation to the theft. Amounts relevant to the 2013 financials have been classified in this report as cash shortages and theft in the financial statements for the theft in the amount of \$38,732 plus the additional loss of \$12,088 for payroll taxes and other expenses incurred by the District due to the theft.

OTHER SUPPLEMENTARY SECTION

The other supplementary information section of this report includes information not required to be included in the financial statements and is provided for the purpose of additional analysis.

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE**

For The Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Operating revenues				
Emergency telephone service charge	\$ 46,000	\$ 43,000	\$ 42,511	\$ (489)
SECB - share wireless charge	35,000	35,000	35,354	354
SECB - operational funding	125,000	125,000	124,182	(818)
	<u>125,000</u>	<u>125,000</u>	<u>29,790</u>	<u>(95,210)</u>
	<u>\$ 331,000</u>	<u>\$ 328,000</u>	<u>\$ 231,836</u>	<u>\$ (96,164)</u>
Operating expenses				
Salaries and wages				
Director	\$ 50,000	\$ 55,000	\$ 54,945	\$ (55)
Administrative personnel	35,350	37,700	37,000	(700)
Overtime	1,000	500	164	(336)
Part-time	1,500	500	-	(500)
GIS mapping	19,600	35,000	34,899	(101)
Employee benefits				
Payroll expenses	9,200	11,000	10,066	(934)
Contracted services				
Audit services	4,560	4,650	4,650	-
Fees to providers	6,000	17,200	17,193	(7)
Legal services	50	650	639	(11)
Maintenance agreements	21,226	28,600	28,536	(64)
Lease - office equipment	1,000	750	747	(3)
Rent	4,800	4,800	4,800	-
Pest control	180	180	180	-
Maintenance and repairs:				
Communications equipment	6,250	500	-	(500)
Buildings	515	515	-	(515)
Office equipment	100	100	-	(100)
Vehicles	310	1,050	1,034	(16)
Fuel	1,650	1,050	1,047	(3)
Emergency telephone service	18,175	16,800	16,754	(46)
Supplies and materials				
Office supplies	8,700	6,800	6,775	(25)
Postage	1,290	650	642	(8)
Small equipment purchases	4,700	17,700	17,966	266
Uniforms	1,000	650	623	(27)
GIS supply	195	195	-	(195)
Telephone	1,115	1,250	1,227	(23)
Cell and pagers	2,400	1,600	1,587	(13)
Electric	2,300	2,500	2,314	(186)
Gas	1,500	1,400	1,404	4
Water & Sewer	350	360	358	(2)

See independent auditor's report.

**CRCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE**

For The Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Supplies and materials				
Cable	\$ -	\$ -	\$ 1,039	\$ 1,039
Other supply	2,800	4,100	4,115	15
Fax	1,100	1,000	978	(22)
Miscellaneous	6,895	3,250	3,264	14
Other charges				
Dues and memberships	640	314	314	-
Insurance-workman's comp	4,500	4,500	3,723	(777)
Insurance-liability	2,940	2,940	2,940	-
Insurance-equipment	1,508	1,646	1,646	-
Insurance-vehicle	962	962	962	-
Premiums on surety bonds	794	100	-	(100)
Public education	2,500	200	164	(36)
Service awards	500	950	905	(45)
Training expenses	6,500	2,750	1,748	(1,002)
Travel expenses	4,000	7,500	5,610	(1,890)
Internet	3,500	3,750	3,617	(133)
Miscellaneous	1,800	500	-	(500)
Other expense	-	-	22	22
Depreciation	<u>45,000</u>	<u>85,000</u>	<u>-</u>	<u>(85,000)</u>
Total operating expenses	<u>\$ 290,955</u>	<u>\$ 369,112</u>	<u>\$ 276,600</u>	<u>\$ (92,512)</u>
Operating income (loss)	<u>\$ 40,045</u>	<u>\$ (41,112)</u>	<u>\$ (44,764)</u>	<u>\$ (3,652)</u>
Non-operating revenues (expenses)				
Interest income	2,000	1,500	1,256	(244)
Miscellaneous income	-	-	5,688	5,688
Loss on disposal of property	<u>(1,500)</u>	<u>(1,500)</u>	<u>-</u>	<u>1,500</u>
Total non-operating revenues (expenses)	<u>500</u>	<u>-</u>	<u>6,944</u>	<u>6,944</u>
Income (loss) before capital contributions	<u>\$ 40,545</u>	<u>\$ (41,112)</u>	<u>\$ (37,820)</u>	<u>\$ 3,292</u>
Capital Contributions				
Capital contributions form TECB	<u>168,812</u>	<u>142,043</u>	<u>47,850</u>	<u>(94,193)</u>
Change in net position	209,357	100,931	10,030	(90,901)

See independent auditor's report.

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE**

For The Year Ended June 30, 2013

Reconciliation To GAAP	
Net income-budgetary basis	\$ 10,030
Adjustments for:	
Loss on disposal	(20,349)
Revenues to accrual basis	141,239
Expenses to accrual basis	(5,572)
Depreciation expense	<u>(70,395)</u>
Change in Net Position-GAAP basis	<u>\$ 54,954</u>

See independent auditor's report.

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENSES**

For The Year Ended June 30, 2013

Salaries and wages	
Director	\$ 36,869
Administrative personnel	23,295
Overtime	164
GIS mapping	21,055
	<u>81,383</u>
 Employee benefits	
Payroll expenses	<u>6,588</u>
 Contracted services	
Audit services	4,650
Fees to providers	17,193
Legal services	639
Maintenance agreements	28,536
Lease - office equipment	747
Rent	4,800
Pest control	180
Maintenance and repairs:	
Vehicles	1,034
Fuel	909
Emergency telephone service	18,139
	<u>76,827</u>
 Supplies and materials	
Office supplies	5,951
Postage	642
Small equipment purchases	19,570
Uniforms	623
Telephone	1,328
Cell and pagers	1,636
Electric	2,390
Gas	1,412
Water & Sewer	359
Cable	1,039
Other supply	4,129
Fax	1,044
Miscellaneous	3,271
	<u>\$ 43,394</u>

See independent auditor's report.

**CRCOKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENSES**

For The Year Ended June 30, 2013

Other charges		
Dues and memberships	\$	314
Insurance-workman's comp		3,723
Insurance-liability		2,940
Insurance-equipment		1,646
Insurance-vehicle		962
Premiums on surety bonds		199
Public education		386
Service awards		905
Training expenses		1,748
Travel expenses		6,763
Internet		3,551
Other expense		22
	<u>\$</u>	<u>23,159</u>

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
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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

Board of Directors
Crockett County Emergency Communications District
Alamo, 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 Crockett 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 Crockett County Emergency Communications District's basic financial statements, and have issued our report thereon dated April 14, 2014.

Internal Control over Financial Reporting

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and recommendations to be a material weaknesses: 13-1 and 98-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crockett 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of comments and recommendations as item 01-3.

District's Response to Findings

Crockett County Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of comments and recommendations. The 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 result 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.



Jackson, Tennessee
August 29, 2014

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2013

Current Year Findings

13-1 Cash Shortages and Theft (Material Weakness)

Condition: An investigative report issued by the Tennessee Comptroller of the Treasury in January of 2014 revealed that from July of 2010 through August of 2013, the Bookkeeper fraudulently issued 113 checks totaling \$88,764 for personal use. Signatures of executive director were forged on 102 of these checks and 11 appeared to have an authentic signature of the executive director.

Criteria: Per the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts, Section 2 – internal controls; An Emergency Communication District shall establish a comprehensive internal control framework with the objective of preventing fraud abuse and errors.

Effect: The incident resulted in theft in the amounts as follows; theft amount prior to July 1, 2012 totaled \$40,977 and for the year ended June 30, 2013, there was an additional; \$38,732 totaling \$79,709 as of June 30, 2013. Subsequent to June 30, 2013 and during the period July 1, 2013 through August 2013 there was an additional \$9,055 for a total theft of \$88,764. In addition to the theft, the district also lost \$23,031 for payroll taxes and other expenses incurred due to the theft.

Recommendation: We recommend that controls be evaluated and measures taken to strengthen controls in order to prevent or detect fraud, abuse and misstatement in a timely manner in going forward. A board member should review and approve documentation supporting every payroll disbursement as well as countersigning the checks.

Response: Litigation and sentencing are pending against the bookkeeper in relation to the theft. In addition the payroll tax deposits related to the theft are being requested to be refunded via amendment of payroll tax returns. The District is exploring options to correct the controls that failed allowing this incident to take place.

98-1 Segregation of Duties (Material Weakness)

Condition: Due to the size of the staff, the Crockett County Emergency Communications District could not fully segregate the record-keeping, custodial and authorization functions of its internal accounting controls for the year ended June 30, 2013.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: While auditors recognize that staff size, due to funding limitations, is not adequate to fully segregate the functions mentioned above, management needs to be aware that this limitation of internal accounting controls does exist in the District. To strengthen

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

June 30, 2013

controls a board member should receive all bank statements unopened and should review and approve the bank statement prior to reconciliation by the District staff. Evidence of this review should be documented by the board member initialing and dating every page of the bank statement. In addition, a board member should review the actual bank reconciliation.

Response: Due to the small staff of Crockett County Emergency Communications District, the Board requires two signatures on checking accounts except while on travel. Purchases are reviewed at each Board of Directors meeting. Any unusual purchase is approved by the Board or a Director before consummated.

01-3 Budget Amendments (Compliance and Other Matters)

Condition: During the year ended June 30, 2013, ten line items of expenditures exceeded their budgeted amounts. They were: rent, pest control, building maintenance and repair, fuel, office supplies, postage, supplies and materials, and miscellaneous expense.

Criteria: The Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts requires that expenses be presented at the legal level of control, which is defined to be at the line-item level. TCA Section 7-86-120 requires emergency communications districts to adopt and operate under an annual budget.

Effect: The District has made expenses not legally approved in accordance with state statute.

Recommendation: We recommend the District carefully monitor its budget each month and make amendments as appropriate in order to include all expenditures. All final budget amendments for a current fiscal year must be approved prior to June 30.

Response: We will review expenses over the budget each month and work to amend budget as needed in future periods.

Prior Year Findings

98-1 Segregation of Duties—Repeated.

01-3 Budget Exceeded—Repeated.