

**DECATUR COUNTY EMERGENCY
COMMUNICATION DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
INDEPENDENT AUDITOR'S REPORT, FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION
JUNE 30, 2013

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**DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT OFFICIALS
JUNE 30, 2013**

BOARD OF DIRECTORS

Joe Keeton – President

Curtis Mickey Bond – Vice President

Diana Montgomery – Secretary/Treasurer

Melvin Brasher

Kevin Cagle

Scott Cagle

Randy Gordon

Brad Moore

Becky Stanfill

MANAGEMENT OFFICIALS

Debbie Keeton – Director



Independent Auditor's Report

Board of Directors
Decatur County Emergency Communication District
Decaturville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Decatur County Emergency Communication District (the District), a component unit of Decatur 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 opinions 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 opinions.

Opinions

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

Emphasis of Matter

As described in Note 8, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. The District early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

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 5 – 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section (pages 1 – 2) and the supplemental information (pages 15 – 16) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates 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 supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 25, 2013

Malvin Associates, PLLC

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Our discussion and analysis of Decatur County Emergency Communication District's (the District) financial performance will offer readers of the District's financial statements a narrative overview and review of the financial activities of the District for the fiscal year ended June 30, 2013. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position (on pages 8 through 9) provide information about the activities of the District's finances.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 11- 14.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. Supplemental information concerning the District is required by the Tennessee Emergency Communication Board. This other supplemental information can be found on pages 15 – 16 of this report.

Comparative Data

Statement of Net Assets Position

	<u>June 30, 2013</u>	<u>Percent of Total</u>	<u>June 30, 2012</u>	<u>Percent of Total</u>
Current assets	\$ 394,705	53.02%	\$ 417,944	61.57%
Capital assets	349,584	46.96%	260,747	38.41%
Other assets	140	0.02%	140	0.02%
Total assets	<u>744,429</u>	<u>100.00%</u>	<u>678,831</u>	<u>100.00%</u>
Current liabilities	-	0.00%	-	0.00%
Total liabilities	<u>-</u>	<u>0.00%</u>	<u>-</u>	<u>0.00%</u>
Net position				
Net investment in capital assets	349,584	46.96%	260,747	38.41%
Unrestricted	394,845	53.04%	418,084	61.59%
Total net position	<u>\$ 744,429</u>	<u>100.00%</u>	<u>\$ 678,831</u>	<u>100.00%</u>

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The changes in the District's net position are described below:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Revenues		
Operating revenues	\$ 239,589	\$ 206,074
Expenses		
Contracted services	141,369	127,088
Supplies and materials	18,776	19,291
Other charges	7,794	6,040
Depreciation	63,092	42,283
Total expenses	<u>231,031</u>	<u>194,702</u>
Operating income (loss)	8,558	11,372
Nonoperating revenue (expenses)	<u>57,040</u>	<u>54,298</u>
Change in net position	65,598	65,670
Net position - beginning of year	<u>678,831</u>	<u>613,161</u>
Net position - end of year	<u>\$ 744,429</u>	<u>\$ 678,831</u>

The District had a profit of \$65,598 compared to a profit in the prior year of \$65,670. This current year was very comparable to the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2013, the District had \$349,584 invested in a broad range of capital assets, including buildings and improvements, furniture and fixtures, office equipment, and communications equipment. Capital assets increased by \$151,929 before depreciation due to the purchase of radio equipment. There were no capital asset disposals in the current year. Accumulated depreciation increased by \$63,092 due to depreciation. Additional information on capital assets is in Note 5.

Debt

At year-end, the District had no debt.

**DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

The District is dependent on telephone service charges collected by various phone companies and remitted to the District as well as operating grants and capital grants from the State Emergency Communications Board.

A budget is prepared before each fiscal year. Next year the budget shows total revenues of \$255,896 (including TECB reimbursements of \$11,970 which will be used to help pay operational expenses) and expenses of \$255,896.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the District at 21 S. South Street, Decaturville, Tennessee.

Debbie Keeton
Director

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS

CURRENT ASSETS

Cash	\$ 198,405
Certificate of deposit	182,192
Due from Tennessee Emergency Communications Board	5,927
Accounts receivable	4,181
Prepaid expenses	<u>4,000</u>

TOTAL CURRENT ASSETS 394,705

CAPITAL ASSETS

Furniture and fixtures	32,767
Office equipment	21,115
Communications equipment	<u>606,049</u>
	659,931
LESS: accumulated depreciation	<u>(310,347)</u>

NET CAPITAL ASSETS 349,584

OTHER ASSETS

Utility deposit	<u>140</u>
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TOTAL ASSETS 744,429

LIABILITIES AND NET POSITION

LIABILITIES

-

NET POSITION

Net investment in capital assets	349,584
Unrestricted net position	<u>394,845</u>

TOTAL NET POSITION \$ 744,429

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES	
Emergency telephone service charges	\$ 56,660
State Emergency Communication Board - shared wireless charges	28,897
State Emergency Communication Board - operational funding	<u>154,032</u>
TOTAL OPERATING REVENUES	<u>239,589</u>
OPERATING EXPENSES	
Contracted Services	141,494
Supplies and Materials	18,651
Other Charges	7,794
Depreciation	<u>63,092</u>
TOTAL OPERATING EXPENSES	<u>231,031</u>
NET OPERATING REVENUE (EXPENSE)	<u>8,558</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	341
Investment Income	436
State Emergency Communications Board - Grants & Reimbursements	<u>56,263</u>
NONOPERATING REVENUES (EXPENSES) - NET	<u>57,040</u>
CHANGE IN NET POSITION	65,598
NET POSITION - BEGINNING OF YEAR	<u>678,831</u>
NET POSITION - END OF YEAR	<u><u>\$ 744,429</u></u>

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 243,449
Cash payments to suppliers for goods and services	<u>(171,939)</u>
CASH PROVIDED BY OPERATING ACTIVITIES	<u>71,510</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants and reimbursements	<u>56,263</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(151,928)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment income	777
Reinvestment in certificate of deposit	(436)
Investment in certificate of deposit	<u>(100,000)</u>
CASH USED FOR INVESTING ACTIVITIES	<u>(99,659)</u>
DECREASE IN CASH	(123,814)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>322,219</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 198,405</u></u>

RECONCILIATION OF INCOME FROM OPERATIONS TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net operating revenue (expense)	\$ 8,558
Adjustments to reconcile operating revenue to net cash provided by operating activities:	
Depreciation	63,092
Changes in Assets and Liabilities	
Due from Tennessee Emergency Communications Board	8,441
Accounts receivable	(4,581)
Prepaid expenses	<u>(4,000)</u>
CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 71,510</u></u>

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. GENERAL INFORMATION

Component unit

The District provides 911 emergency assistance to persons living in Decatur County. The District is a component unit of Decatur County. Accordingly, this financial data is incorporated into the County's financial statements. The District is governed by nine members who serve staggered four-year terms. Board members are appointed by the County Mayor and ratified by the Decatur County Commission. The County Commission pays for dispatcher salaries and benefits and furnishes the District's operating headquarters. The District pays the County Commission \$4/hour per each District employee (as well as an additional \$.84/hour for an administrative assistant's salary) and pays all of the salary of one employee, which is shown as contract with government agencies expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounts of the District are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

A. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

B. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash and Cash Equivalents

Cash and cash equivalents, as used in the Statements of Cash Flows, includes demand deposit accounts and certificates of deposit with maturities of three months or less when purchased, in accordance with GASB Statement No. 9.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end include telephone wireless fees due from phone companies, wireless charges due from the State of Tennessee, and grant receivables due from the Tennessee Emergency Communications Board.

Capital Assets

All capital assets of the District are recorded at original cost, except for donated equipment which is recorded at fair market value. Expenses which materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred. Any related interest cost is also added to the cost of the asset as appropriate.

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Gains and losses from the sale of capital assets are reflected in operations and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives. Any related interest cost is also added to the cost of the asset as appropriate.

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as non-operating.

Deferred Outflows/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(s) 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 resources*, represents an acquisition of net position that applies to a future period(s) 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

In the District's financial statements, equity is classified as net position and displayed in three components:

- a. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints place on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of restricted or net investment in capital assets.

3. REVENUES

Revenues are derived from telephone customers in the area served by the District. The telephone company collects the fees on the monthly telephone bills (\$.65 per residence line and \$2.00 per business line) and remits them to the District. Revenues are also derived from wireless charges from cellular phone fees. The State of Tennessee collects these fees and remits them to the District bimonthly.

4. RISK MANAGEMENT

All of the District's capital assets are located in or on facilities owned by Decatur County. The District owns all office and communications equipment. The District is exposed to loss of personal property by fire, accident or an act of God, as well as tort liabilities and errors and omissions. The District is insured against these risks under the Decatur County Mayor's commercial insurance policy. It is also named as a component unit of Decatur County for basic general liability coverage of up to \$1,000,000 per liability. The District has had no insurance settlements in excess of insurance coverage during the past three years.

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

5. CAPITAL ASSETS

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

	Balance 7/1/2012	Additions	Retirements	Balance 6/30/2013
Capital assets being depreciated:				
Furniture and fixtures	32,767	-	-	32,767
Office equipment	21,115	-	-	21,115
Communications equipment	454,120	151,929	-	606,049
Total capital assets being depreciated	<u>508,002</u>	<u>151,929</u>	<u>-</u>	<u>659,931</u>
Less accumulated depreciation for:				
Furniture and fixtures	(10,376)	(3,277)	-	(13,653)
Office equipment	(10,199)	(1,597)	-	(11,796)
Communications equipment	(226,680)	(58,218)	-	(284,898)
Total accumulated depreciation	<u>(247,255)</u>	<u>(63,092)</u>	<u>-</u>	<u>(310,347)</u>
Total business-type activities capital assets, net	<u>\$ 260,747</u>	<u>\$ 88,837</u>	<u>\$ -</u>	<u>\$ 349,584</u>

Depreciation expense of \$63,092 was recorded by the District.

6. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over the District resources follows.

6.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

The District's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit and savings accounts. The District has no policy that further limits allowable investments. At June 30, 2013, investments consisted entirely of a certificate of deposit with a local bank. Investments are carried at cost which approximates fair value.

For deposits and investments, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. As of June 20, 2013, \$28,451 of the District's deposits were exposed to custodial credit risk due to being uninsured and uncollateralized.

6.B. BUDGET APPROPRIATIONS

In accordance with State law, the board of the District must adopt and operate under an annual budget. Criteria for the information required in the annual adopted budget are detailed in Section 7-86-120, *Tennessee Code Annotated*. However, for financial reporting purposes it is only necessary to present budgetary revenues and expenses compared to actual. All purchases must be made within the limits of the approved budget. Expenses must be presented at the legal level of control, which is defined to be at the line-item level.

The District's expenses were within appropriations at the line-item level.

7. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

8. ACCOUNTING CHANGES

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. The District early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has an effective date of June 30, 2014.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organization for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Emergency Telephone Service Charge	\$ 55,288	\$ 56,660	\$ 1,372
State Emergency Communication Board - Shared wireless charge	30,154	28,897	(1,257)
Operational funding	124,109	154,032	29,923
TOTAL OPERATING REVENUES	<u>209,551</u>	<u>239,589</u>	<u>30,038</u>
OPERATING EXPENSES			
<u>Contracted Services</u>			
Addressing/Mapping Expenses	3,200	2,547	653
Advertising	200	-	200
Audit Services	2,500	2,500	-
Contract with Government Agencies	101,777	98,521	3,256
Fees Paid to Service Providers	18,740	18,203	537
Maintenance agreements	19,753	11,098	8,655
NCIC Expenses	1,050	600	450
Maintenance and Repairs-Communications Equipment	8,150	6,137	2,013
Maintenance and Repairs-Buildings and Facilities	2,250	510	1,740
Other Contracted Services-Generator	1,750	1,378	372
<u>Supplies and Materials</u>			
Office Supplies	3,000	2,960	40
Custodial Supplies	1,500	1,298	202
Postage	340	227	113
Small Equipment Purchases	8,026	5,777	2,249
Utilities-Electric	3,500	3,500	-
Utilities-Gas	1,000	1,000	-
Utilities-Water and Sewer	384	384	-
Utilities-General Telephone	3,100	2,485	615
Utilities-Cell Phones and Pagers	1,020	1,020	-
<u>Other Charges</u>			
Bank Charges	100	16	84
Board Meeting Expenses	650	545	105
Dues and Memberships	200	200	-
Employee Testing and Exams	1,500	835	665
Legal Notices	110	-	110
Premiums on Surety Bonds	2,180	1,923	257
Public Education	550	265	285
Service Awards	3,000	3,000	-
Training Expenses	750	361	389
Travel	100	-	100
Internet Charges	708	649	59
<u>Depreciation</u>			
Depreciation expense	80,000	63,092	16,908
TOTAL OPERATING EXPENSES	<u>271,088</u>	<u>231,031</u>	<u>40,057</u>
NET OPERATING REVENUE (EXPENSE)	<u>(61,537)</u>	<u>8,558</u>	<u>70,095</u>
OTHER INCOME (EXPENSE)			
Interest and Investment Income	2,071	777	(1,294)
State Emergency Communications Board - Grants & Reimb.	190,990	56,263	(134,727)
OTHER INCOME (EXPENSE) NET	<u>193,061</u>	<u>57,040</u>	<u>(136,021)</u>
CHANGE IN NET POSITION	131,524	65,598	(65,926)
NET POSITION - BEGINNING OF YEAR	678,831	678,831	-
NET POSITION - END OF YEAR	<u>\$ 810,355</u>	<u>\$ 744,429</u>	<u>\$ (65,926)</u>

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
 (a component unit of Decatur County, Tennessee)
SCHEDULE OF DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

Operating Expenses

Contracted Services

Addressing/Mapping Expenses	\$ 2,547
Audit Services	2,500
Contracts With Government Agencies	98,521
Fees Paid to Service Providers	18,203
Maintenance Agreements	11,098
NCIC Expenses	600
Maintenance and Repairs-Communications Equipment	6,137
Maintenance and Repairs-Buildings and Facilities	510
Generator	1,378
<u>Total Contracted Services</u>	<u>141,494</u>

Supplies and Materials

Office Supplies	2,960
Custodial Supplies	1,298
Postage	227
Small Equipment Purchases	5,777
Utilities-Electric	3,500
Utilities-Gas	1,000
Utilities-Water	384
Utilities-General Telephone	2,485
Utilities-Cell Phones and Pagers	1,020
<u>Total Supplies and Materials</u>	<u>18,651</u>

Other Charges

Bank Charges	16
Board Meeting Expenses	545
Dues and Memberships	200
Testing/Evaluation	835
Premiums on Surety Bonds	1,923
Public Education	265
Service Awards	3,000
Training Expenses	361
Internet Charges	649
<u>Total Other Charges</u>	<u>7,794</u>

Depreciation

Depreciation Expense	63,092
<u>Total Depreciation</u>	<u>63,092</u>

<u>Total Operating Expenses</u>	<u>\$ 231,031</u>
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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
Decatur County Emergency Communication District
Decaturville, 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 Decatur County Emergency Communication District (the District), a component unit of Decatur County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which comprise the District's basic financial statements and have issued our report thereon dated November 25, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

2013-01 UNINSURED AND UNCOLLATERALIZED DEPOSITS

The District had deposits at one local bank which exceeded the FDIC coverage. Pledged collateral was not sufficient to meet the criteria as outlined by *Tennessee Code Annotated* which requires pledged securities for 105% of deposits which exceed FDIC coverage.

Recommendation: We recommend that the District monitor necessary collateral throughout the year and at year end to obtain the proper amount of collateral to be fully insured and collateralized.

Management's Response: This was corrected in August 2013 by having additional collateral pledged at our local bank.

District's Response to Findings

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

DISPOSITION OF PRIOR AUDIT FINDINGS:

2012-01 GENERAL LEDGER MATERIALLY MISSTATED BEFORE ADJUSTMENTS – Corrected.

A handwritten signature in black ink that reads "H. H. H. & Associates, PLLC". The signature is written in a cursive style.

November 25, 2013