FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT OF FENTRESS COUNTY, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2014

HASSELL RAY YORK AND ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
Phone: 931-484-5570
P. O. Box 137 • 228 Rector Avenue
Crossville, Tennessee 38557

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT OF FENTRESS COUNTY, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2014

INTRODUCTORY SECTION

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT

OF FENTRESS COUNTY, TENNESSEE

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ROSTER OF MANAGEMENT OFFICIALS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF MANAGEMENT OFFICIALS (UNAUDITED)
June 30, 2014

Gary Peters, Chairman
106 Horseshoe Circle
Jamestown, Tennessee 38556

Billy Jennings, Sr., Vice Chairman
P. O. Box 765
Jamestown, Tennessee 38556

Leonard Bilbrey, Treasurer
P. O. Box 286
Jamestown, Tennessee 38556

Karen Little, Secretary
P. O. Box 38
Clarkrange, Tennessee 38553

Rodney Foy
1114 Circle Drive
Jamestown, Tennessee 38556

Sheriff Tony Choate
P. O. Box 1085
Jamestown, Tennessee 38556

James Bilbrey
125 Pyle Road
Jamestown, Tennessee 38556

Gene Holt
P. O. Box 254
Jamestown, Tennessee 38556

Hollis Crabtree
589 Ted Brooks Road
Jamestown, Tennessee 38556

MANAGEMENT'S DISCUSSION AND ANALYSIS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2014

As financial management of the Fentress County Emergency Communications District, we offer readers of these financial statements this narrative overview and analysis of the District for the fiscal year ending June 30, 2014. Please read it in conjunction with the District's financial statements that begin on page 8.

FINANCIAL HIGHLIGHTS

- The District's Total Net Position increased to $1,391,676.83 from $1,244,645.63 over the course of this year's operations. This was largely due to:
    - Increase in Operations Funding and Shared Wireless Charge from the State.
    - Slight increase in funding from the Fentress County Government to cover costs associated with the E-911 Dispatchers.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

The 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 the District's Assets and Liabilities, with the difference 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 increased Net Position, which indicates an improved financial position.

FINANCIAL ANALYSIS

Net Position may serve, over time as a useful indicator of the District's financial position. In the case of the District, the change by which Assets exceeded Liabilities at the close of the most current fiscal year is $147,031.20. Part of this is attributable to an increase in revenues from the State for Operational Funding and Shared Wireless Charge, slight increase from Fentress County Government for cost associated with E-911 Dispatchers.

FINANCIAL ANALYSIS (continued)

Our analysis below focuses on the District's Net Position (**Table 1**) and Changes in Net Position (**Table 2**) during the year.

NET POSITION

Table 1
Condensed Statements of Net Position

	FY 2014	FY 2013	Difference
Current and Other Assets	$ 930,356.43	$1,130,532.61	$(200,176.18)
Capital Assets (Net)	512,414.95	138,103.66	374,311.29
Total Assets	$1,442,771.38	$1,268,636.27	$ 174,135.11
Current Liabilities	$ 51,094.55	$ 23,990.64	$ 27,103.91
Net Position:			
Net Investment in Capital Assets	$ 512,414.95	$ 138,103.66	$ 374,311.29
Unrestricted	879,261.88	1,106,541.97	(227,280.09)
Total Net Position	$1,391,676.83	$1,244,645.63	$ 147,031.20

Changes in the District's Net Position can be determined by reviewing the following condensed Statement of Revenue, Expenses, and Changes in Net Position for the year.

Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position

	FY 2014	FY 2013	Difference
Operating Revenues	$ 536,088.12	$ 516,938.41	$ 19,149.71
Non-Operating Revenues	465,622.65	41,304.49	424,318.16
Total Revenues	1,001,710.77	558,242.90	443,467.87
Depreciation Expense	39,661.99	43,099.39	(3,437.40)
Other Operating Expense	815,017.58	410,604.61	404,412.97
Total Operating Expenses	854,679.57	453,704.00	400,975.57
Increase in Net Position	147,031.20	104,538.90	42,492.30
Net Position – Beginning of Year	1,244,645.63	1,140,106.73	104,538.90
Net Position – End of Year	$1,391,676.83	$1,244,645.63	$147,031.20

FINANCIAL ANALYSIS (continued)

CAPITAL ASSETS

The following table summarizes the District's Capital Assets, Net of Accumulated Depreciation:

	FY 2014	FY 2013	Difference
Building	$ 169,430.98	$ 169,430.98	$ .00
Office Equipment and Fixtures	118,147.44	38,193.25	79,954.19
Communication and Computer Equipment	308,935.84	219,942.41	88,993.43
Vehicle	18,300.00	18,300.00	.00
Total	614,814.26	445,866.64	168,947.62
Accumulated Depreciation	(102,399.31)	(307,762.98)	205,363.67
Net Capital Assets	$ 512,414.95	$ 138,103.66	$374,311.29

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors and Rates:

- The District currently maintains a rate for the Emergency Telephone Service Charge of $.65 per residential line and $2.00 per business line.
- Based upon current trends in housing and population growth, we do not anticipate any reversals in our revenue growth. We have seen a marked increase in the number of "911" calls received from wireless sources.

Future Budgetary Considerations:

- Presently, the Board of Directors are not aware of any changes in conditions that would have a significant impact on the financial position or results of activities of the District in the 2014-2015 fiscal budget year.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest. For questions concerning any of the information provided in this report or requests for additional financial information, contact the District's Director of Administrations at 116 Justice Center Drive, Jamestown, Tennessee 38556.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Hassell Ray York and Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 137 • Phone: 931-484-5570
Crossville, Tennessee 38557

October 27, 2014

Board of Directors
Fentress County Emergency
Communications District
P. O. Box 460
Jamestown, Tennessee 38556

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Fentress County Emergency Communications District, a component unit of Fentress County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which comprise the Fentress County Emergency Communications District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Fentress County Emergency Communications District, as of June 30, 2014, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 and the required supplementary information, schedule of funding in process, for Fentress County Emergency Communications District on page 22, 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 inquires, 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 basic financial statements. The introductory section and supplementary information are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was 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 supplementary 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 October 27, 2014, on our consideration of Fentress 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 *Governmental Auditing Standards* in considering Fentress County Emergency Communications District's internal control over financial reporting and compliance.

HASSELL RAY YORK AND ASSOCIATES, P.C.

Hassell Ray York
Certified Public Accountant
Crossville, Tennessee
October 27, 2014

FINANCIAL STATEMENTS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2014

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 634,612.96
Certificates of Deposit	274,604.98
Accrued Interest Receivable	437.65
Due from Tennessee Emergency Communications Board	462.70
Prepaid Expenses	20,238.14
Total Current Assets	930,356.43
Non-Current Assets	
Capital Assets	
Building and Improvements	169,430.98
Furniture and Fixtures	95,065.43
Office Equipment	23,082.01
Communication Equipment	308,935.84
Vehicles	18,300.00
Total Capital Assets	614,814.26
Accumulated Depreciation	(102,399.31)
Capital Assets, Net	512,414.95
TOTAL ASSETS	$1,442,771.38
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts Payable	$ 26,844.80
Accrued Payroll	2,906.96
Accrued Payroll Deductions Payable	5,472.43
Compensated Absences Payable	15,870.36
Total Current Liabilities	51,094.55
Net Position	
Net Investment in Capital Assets	512,414.95
Unrestricted Net Position	879,261.88
Total Net Position	1,391,676.83
TOTAL LIABILITIES AND NET POSITION	$1,442,771.38

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2014

OPERATING REVENUES	
Emergency Telephone Service Charge	$ 82,420.58
Tennessee Emergency Communications Board – Shared Wireless Charge	45,743.96
Tennessee Emergency Communications Board – Operational Funding	206,123.58
Other Operating Revenues	201,800.00
TOTAL OPERATING REVENUES	536,088.12
OPERATING EXPENSES	
Salaries and Wages	
Administrative Personnel	34,994.70
Dispatchers	233,119.47
Overtime Pay	11,821.21
Part-time Personnel	15,371.96
Total Salaries and Wages	295,307.34
Employee Benefits	
Social Security	17,155.03
Medicare	4,012.08
Medical Insurance	18,000.00
Unemployment Taxes	684.94
Retirement Contributions	15,681.69
Total Employee Benefits	55,533.74
Contracted Services	
Addressing/Mapping Expense	9,539.14
Advertising	200.40
Audit Services	5,000.00
Contracts with Government Agencies	389,269.44
Data Processing Service	2,545.23
Maintenance Agreements	19,429.69
Mapping/Data Base Consultants	12,000.00
Maintenance and Repairs – Communications Equipment	429.97
Maintenance and Repairs – Building and Facilities	114.43
Maintenance and Repairs – Vehicles	435.56
Fuel – Vehicles	629.15
Total Contracted Services	439,593.01

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
For the Year Ended June 30, 2014

OPERATING EXPENSES (continued)

Supplies and Materials	
Office Supplies	765.43
Custodial Supplies	914.23
Postage	25.00
Small Equipment Purchases	1,225.27
Uniforms and Shirts	1,738.61
Utilities – General Telephone	6,888.06
Other Supplies and Materials	20.98
Total Supplies and Materials	11,577.58
Other Charges	
Dues and Memberships	298.00
Employee Testing and Exams	111.10
Insurance – Workers Compensation	1,162.00
Insurance – Liability	2,515.17
Insurance – Equipment	2,398.50
Insurance – Vehicles	864.00
Legal Notices	15.90
Premiums on Surety Bonds	254.17
Training Expense	705.00
Travel Expenses	2,298.07
Internet Charges	1,917.44
Other Charges	466.56
Total Other Charges	13,005.91
Depreciation	
Depreciation Expense	39,661.99
Total Depreciation	39,661.99
TOTAL OPERATING EXPENSES	854,679.57
OPERATING INCOME (LOSS)	(318,591.45)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
For the Year Ended June 30, 2014

NON-OPERATING REVENUES AND (EXPENSES)	
Interest Income	291.75
Investment Income	3,242.17
Tennessee Emergency Communications Board – Grants and Reimbursements	461,510.73
Miscellaneous Income	435.00
Insurance Reimbursement	143.00
TOTAL NON-OPERATING REVENUE (EXPENSES)	465,622.65
INCREASE IN NET POSITION	147,031.20
NET POSITION – BEGINNING OF PERIOD	1,244,645.63
NET POSITION – END OF PERIOD	$1,391,676.83

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Surcharges and Other Revenues	$ 536,430.12
Cash Payments to Suppliers for Goods and Services	(464,416.88)
Cash Payments for Payroll, Taxes, and Related Benefits	(349,965.42)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(277,952.18)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants/Reimbursements TECB	461,510.73
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	461,510.73
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(387,888.87)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(387,888.87)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income Received	3,567.79
Increase in Certificates of Deposit	(2,025.42)
NET CASH PROVIDED FROM INVESTING ACTIVITIES	1,542.37
NET INCREASE IN CASH AND CASH EQUIVALENTS	(202,787.95)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	837,400.91
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 634,612.96

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2014

RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating Income (Loss)	$(318,591.45)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	39,661.99
Changes in Assets and Liabilities:	
(Increase) Decrease in Due From Tennessee Emergency Communications Board	(236.00)
(Increase) Decrease in Prepaid Expenses	(384.22)
Increase (Decrease) in Accounts Payable	143.84
Increase (Decrease) Accrued Payroll	594.48
Increase (Decrease) Accrued Payroll Deductions Payable	(465.75)
Increase (Decrease) Compensated Absences Payable	746.93
Miscellaneous Income	578.00
NET CASH PROVIDED BY OPERATING ACTIVITIES	$(277,952.18)

SUPPLEMENTAL DISCLOSURES

Noncash Capital and Related Financing Activities include Capital Asset Purchases of $26,084.65 Payable at June 30, 2014

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fentress County Emergency Communications District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

REPORTING ENTITY

The Fentress County Emergency Communications District was organized October, 1990, under the authority of ***Title 7, Chapter 86, Tennessee Code Annotated***, for the purpose of providing to the residence within the boundaries of Fentress County, Tennessee with emergency 9-1-1 service as a means of securing emergency services quickly and efficiently.

The County Commission of Fentress County, Tennessee is the basic level of government which has financial accountability and control over certain activities related to the Fentress County Emergency Communications District. The County Commission of Fentress County, Tennessee must approve any issuance of debt by the District, has the authority to adjust the District's service charges, and appoints the nine (9) member Board of Directors which governs the District. The Fentress County Emergency Communications District is a component unit of Fentress County, Tennessee.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net Position (i.e., Total Assets Net of Total Liabilities) is segregated into Net Investment in Capital Assets; Restricted for specified purposes; and Unrestricted components. The Operating Statement presents increases (e.g. Revenues) and decreases (e.g. Expenses) in Net Total Position.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

DEPOSITS AND INVESTMENTS

For the purpose of the Statement of Cash Flows, Cash and Cash Equivalents have original maturities of three (3) months or less from the date of acquisition.

PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CAPITAL ASSETS

Capital Assets are carried at cost. Capital Assets are defined by the District as assets with an initial, individual cost of more than $2,500.00 with an estimated useful life in excess of one (1) year.

Capital Assets in service are depreciated using the straight-line method at rates that will amortize costs over the estimated useful lives of the assets. The estimated useful lives are as follows:

Building and Improvements	40 Years
Vehicles, Equipment, Furniture, and Fixtures	5 to 10 Years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to Assets and Liabilities, the Statement of Financial Position will sometimes report separate sections for Deferred Outflows and Inflows of Resources. Deferred Outflows of Resources are presented after Total Assets. A Deferred Outflow of Resources is a consumption of Net Assets by the District that is applicable to future reporting period(s). Deferred Inflows of Resources are presented after Total Liabilities. A Deferred Inflow of Resources is an acquisition of Net Position that applies to a future period(s) and will not be recognized as an Inflow of Resources until that time.

The District has no items that qualified as a Deferred Outflow or Inflow of Resources.

COMPENSATED ABSENCES

The District's policy provides that vacation time may be accumulated and carried forward by full time employees (those who work more than thirty-five (35) hours per week) to the next year in an amount not to exceed thirty (30) days or two hundred forty (240) total hours. Any hours exceeding the two hundred forty (240) hour limit may be converted to sick leave at the end of each fiscal year to the next. Upon termination of employment, an employee will be entitled to payment for any unused vacation time. Payment will be based upon the employee's daily rate of compensation at the time of termination. The accumulated amount is charged to expense and corresponding liability in the financial statements.

REVENUE AND EXPENSES

The District distinguishes Operating Revenues and Expenses from Non-Operating Items. Operating Revenues and Expenses generally result from providing services and delivering goods in connection with the District's principal ongoing operations. The principal Operating Revenues of the District are emergency telephone service charges collected from telephone service providers, shared wireless charges, and other operational funding. Operating Expenses include the cost of salaries and wages, employee benefits, contracted services, materials and supplies, other charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as Non-Operating Revenues and Expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET POSITION

Net Position is classified into three components: Net Investment in Capital Assets, Restricted, and Unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets – This component of Net Position 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 to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of Net Investment in Capital Assets. Rather, that portion of the debt is included in the same Net Position component as the unspent proceeds.

Restricted Net Position – This component of Net Position consists of constraints placed on Net Position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component of Net Position consist of Net Position that does not meet the definition of "Restricted" or "Net Investment in Capital Assets."

When both Restricted and Unrestricted resources are available for use, it is the District's policy to use Restricted resources first, then Unrestricted resources as they are needed.

BUDGET

The budget is legally adopted, by the Board of Commissioners, in accordance with the provisions of ***Tennessee Code Annotated, Section 7-86-120***. The legal level of control is at the line-item level.

SUBSEQUENT EVENT

The District's management evaluated subsequent events through October 27, 2014, the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS AND INVESTMENTS

Investment of District funds is restricted by State of Tennessee statutes to include the following:

- Bonds, notes, or treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies;

- Certificates of Deposit and other evidence of deposit at Tennessee state charted banks and savings and loan associations and federally chartered banks and savings and loan associations;

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

- The State of Tennessee local government investment pool;
- Obligations of the United States or its agencies under a repurchase agreement, with certain conditions;
- Bonds rated A or higher by any nationally recognized rating services of the State of Tennessee, bonds of any county or municipal corporations of the State of Tennessee (bonds of any road, levee, or drainage district is expressively excluded), bonds of any other state or political subdivision;
- Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, the Student Loan Marketing Association provided such securities are rated in the highest category by at least two (2) nationally recognized rating services;
- The county's own bonds or notes issued in accordance with ***Tennessee Code Annotated (TCA), Title 9, Chapter 21***;
- The investment must have a maturity of not greater than two (2) years or with certain authorized approval up to five (5) years.

The District's deposits at June 30, 2014 consisted of the following:

	Bank Balance	Carrying Value
Operating Account –		
First Volunteer Bank	$ 618,039.32	$ 571,514.61
Progressive Savings Bank	63,098.35	63,098.35
Certificates of Deposit –		
Progressive Savings Bank	41,687.32	41,687.32
Union Bank	232,917.66	232,917.66
Total	$ 955,742.65	$ 909,217.94

The difference between the bank balance and carrying amount is due to outstanding checks and/or deposits in transit.

Deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of $250,000.00. In addition, First Volunteer Bank is a member of the State of Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The District's deposits in financial institutions were entirely insured or collateralized at June 30, 2014.

The District had no investments at June 30, 2014.

NOTE 3 – CHANGES IN CAPITAL ASSETS

A summary of Changes in Capital Assets at June 30, 2014 follows:

	Balance 6/30/13	Increases	Decreases	Balance 6/30/14
Capital Assets Being Depreciated:				
Building	$169,430.98	$ .00	$ .00	$169,430.98
Office Equipment and Fixtures	38,193.25	113,537.44	33,583.25	118,147.44
Communication and Computer Equipment	219,942.41	300,435.84	211,442.41	308,935.84
Vehicle	18,300.00	.00	.00	18,300.00
Total Capital Assets Being Depreciated	445,866.64	413,973.28	245,025.66	614,814.26
Less: Accumulated Depreciated				
Building	50,573.78	3,445.92	.00	54,019.70
Office Equipment and Fixtures	38,193.25	4,501.44	33,583.25	9,111.44
Communication and Computer Equipment	202,983.36	29,427.22	211,442.41	20,968.17
Vehicle	16,012.59	2,287.41	.00	18,300.00
Total Accumulated Depreciation	307,762.98	39,661.99	245,025.66	102,399.31
Net Capital Assets	$138,103.66	$374,311.29	$ .00	$512,414.95

Depreciation expense for the fiscal year ended June 30, 2014 totaled $39,661.99.

NOTE 4 – EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION

Employees of Fentress County Emergency Communications 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 sixty (60) with five (5) years of service or at any age with thirty (30) years of service. A reduced retirement benefit is available to vested members at the age of fifty-five (55). Disability benefits are available to active members with five (5) years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five (5) years of service and members joining prior to July 1, 1979 were vested after four (4) years of service. Benefit provisions are established in state statute found in ***Title 8, Chapter 34-37*** of the ***Tennessee Code Annotated*** *(TCA)*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Fentress County Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

NOTE 4 – EMPLOYEE RETIREMENT SYSTEM (continued)

PLAN DESCRIPTION (continued)

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, 15th Floor, Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at http://www.tn.gov/treasury/tcrs/PS/.

FUNDING POLICY

Fentress County Emergency Communications District requires employees to contribute 5.0 percent of earnable compensation.

Fentress County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014 was 5.63% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Fentress County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

ANNUAL PENSION COST

For the year ending June 30, 2014, Fentress County Emergency Communications District's annual pension cost of $15,606.00 to TCRS was equal to Fentress County Emergency Communications District's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent 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 (10) period. Fentress County Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was six (6) years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	$15,606	100.00%	$0.00
June 30, 2013	$15,412	100.00%	$0.00
June 30, 2012	$15,486	100.00%	$0.00

NOTE 4 – EMPLOYEES RETIREMENT SYSTEM (continued)

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2013, the most recent actuarial valuation date, the plan was 88.98 percent funded. The actuarial accrued liability for benefits was $0.32 million, and the actuarial value of assets was $0.29 million, resulting in an unfunded actuarial accrued liability (UAAL) of $0.04 million. The covered payroll (annual payroll of active employees covered by the plan) was $0.27 million, and the ratio of the UAAL to the covered payroll was 13.03 percent.

The Schedules of Funding Progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2013	$288	$324	$36	88.98%	$274	13.03%
July 01, 2011	$200	$217	$17	92.29%	$235	7.13%
July 01, 2009	$114	$133	$19	86.02%	$197	9.43%

NOTE 5 – OTHER OPERATING REVENUES

The Fentress County Emergency Communications District entered into an intergovernmental cooperation agreement with Fentress County, whereby the District will staff and operate the emergency communications center. Fentress County makes quarterly payments to the District for its share of the dispatching cost. The amount received for the fiscal year ended June 30, 2014 was $201,800.00.

NOTE 6 – RISK FINANCING

The Fentress County Emergency Communications District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and natural disasters. The premises are commercially insured by the Fentress County Government. The building coverage has some hardware insurance coverage for each of the locations where the equipment is located. Additional commercial insurance, as detailed below, has been obtained. No losses have occurred during the past three (3) years that have exceeded coverage.

Commercial General Liability	
General Aggregate	$3,000,000
Products Aggregate	3,000,000
Personal and Advertising Injury	1,000,000
Each Occurrence	1,000,000
Medical Expense, Any One Person	5,000
Vehicle	
Liability, Each Accident	1,000,000
Uninsured Motorists	1,000,000
Medical Payments	10,000
Auto Physical Damage –	
Comprehensive and Collision	Actual Cash Value
Other Than Collision Deductible	250
Collision Deductible	250
Blanket Summary	
Personal Property	329,442
Software	250,000
Money and Securities	10,000
Commercial Blanket Bond	
Computer Fraud	10,000
Identity Fraud	10,000
Employee Dishonesty	5,000
Policy Deductible	
Policy – Per Occurrence	250
Earthquake – Per Item –	
310 South Main Street	8,261
100 South Smith Street	8,211
Flood – Per Premises	1,000
Management Liability	
Aggregate Limit	3,000,000
Wrongful Act – Each	1,000,000
Injunctive Relief – Each Action	25,000
Workmen's Compensation	
Each Accident	100,000
Disease – Each Employee	100,000
– Policy Limit	500,000
Employee Dishonesty	25,000
Crime and Fidelity Coverage	
Blanket Bond – Non-Compensatory Officers – Treasurer, Secretary, Chairman, and Vice Chairman	175,000
Deductible	500

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2014

SCHEDULE OF FUNDING PROGRESS FOR FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT 89820

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2013	$288	$324	$36	88.98%	$274	13.03%
July 01, 2011	$200	$217	$17	92.29%	$235	7.13%
July 01, 2009	$114	$133	$19	86.02%	$197	9.43%

SUPPLEMENTARY INFORMATION

SCHEDULE OF BONDS

ON PRINCIPAL OFFICERS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
SCHEDULE OF BONDS ON PRINCIPAL OFFICERS
June 30, 2014

The principal officials, including the directors, treasurer, and secretary, of the Fentress County Communications District are covered under a Public Employee Dishonesty Bond in the amount of $175,000.00, deductible $500.00, written with the Westfield Companies. The current bond period is January 1, 2013 to January 1, 2016.

BUDGET TO ACTUAL COMPARISONS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
BUDGETARY COMPARISON SCHEDULE (CASH BASIS BUDGET)
June 30, 2014

	Actual (Cash Basis)	Budget (Cash Basis)	Variance Under(Over)
CASH RECEIPTS			
Emergency Telephone Service Charge	$ 82,428.58	$ 85,000.00	$ 2,571.42
TECB – Shared Wireless Charge	45,743.96	39,000.00	(6,743.96)
TECB – Operational Funding	206,123.58	194.000.00	(12,123.58)
Other Operating Revenue	201,800.00	201,800.00	.00
Interest Income	291.75	600.00	308.25
Investment Income	3,276.04	3,500.00	223.96
TECB – Grants and Reimbursements	461,266.73	3,000.00	(458,266.73)
Miscellaneous Income	435.00	500.00	65.00
Insurance Reimbursements	143.00	.00	(143.00)
Total Cash Basis Revenues	1,001,508.64	527,400.00	(474,108.64)
CASH EXPENDITURES			
Salaries and Wages			
Administrative Personnel	35,048.00	36,000.00	952.00
Dispatchers	231,725.00	234,000.00	2,275.00
Overtime Pay	11,821.21	12,000.00	178.79
Part-time Personnel	15,371.96	20,500.00	5,128.04
Total Salaries and Wages	293,966.17	302,500.00	8,533.83
Employee Benefits			
Social Security	17,071.87	19,200.00	2,128.13
Medicare	3,992.63	4,700.00	707.37
Medical Insurance	18,000.00	24,000.00	6,000.00
Unemployment Taxes	684.94	1,600.00	915.06
Retirement Compensation	15,606.18	16,300.00	693.82
Total Employee Benefits	55,355.62	65,800.00	10,444.38
Contracted Services			
Addressing/Mapping Expense	9,539.14	12,000.00	2,460.86
Advertising	200.40	200.40	.00
Audit Services	5,000.00	5,500.00	500.00
Contracts With Government Agencies	389,269.44	400,000.00	10,730.56
Data Processing Service	2,743.29	6,044.98	3,301.69
Maintenance Agreements	19,429.69	28,000.00	8,570.31
Mapping/Data Base Consultants	12,000.00	12,000.00	.00
Maintenance and Repairs – Communication Equipment	429.97	5,500.00	5,070.03
Maintenance and Repairs – Building and Facilities	114.43	2,000.00	1,885.57
Maintenance and Repairs – Office Equipment	.00	1,000.00	1,000.00
Maintenance and Repairs – Vehicles	435.56	1,000.00	564.44
Fuel - Vehicles	636.34	1,000.00	363.66
Total Contracted Services	439,798.26	474,245.38	34,447.12

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
BUDGETARY COMPARISON SCHEDULE (CASH BASIS BUDGET) (CONTINUED)
June 30, 2014

CASH EXPENDITURES (continued)	Actual (Cash Basis)	Budget (Cash Basis)	Variance Under(Over)
Supplies and Materials			
Office Supplies	765.43	2,000.00	1,234.57
Custodial Supplies	914.23	1,000.00	85.77
Data Processing Supplies	.00	500.00	500.00
Postage	25.00	300.00	275.00
Small Equipment Purchases	1,246.26	2,000.00	753.74
Uniforms and Shirts	1,738.61	2,000.00	261.39
Utilities – General Telephone	6,688.06	6,688.06	.00
Utilities – Cell Phones and Pagers	.00	500.00	500.00
Other Supplies and Materials	20.98	900.00	879.02
Total Supplies and Materials	11,398.57	15,888.06	4,489.49
Other Charges			
Dues and Memberships	298.00	300.00	2.00
Employee Testing and Exams	111.10	1,000.00	888.90
Insurance – Workers Compensation	1,077.00	2,000.00	923.00
Insurance – Liability	2,496.00	4,000.00	1,504.00
Insurance – Buildings and Contents	.00	1,000.00	1,000.00
Insurance – Equipment	2,576.00	2,800.00	224.00
Insurance – Vehicles	906.00	1,000.00	94.00
Legal Notices	15.90	200.00	184.10
Premiums on Surety Bonds	325.00	600.00	275.00
Training Expense	705.00	2,000.00	1,295.00
Travel Expenses	2,298.07	4,500.00	2,201.93
Internet Charges	1,945.42	2,000.00	54.58
Other Charges	466.56	466.56	.00
Total Other Charges	13,220.05	21,866.56	8,646.51
Total Cash Basis Expenses	813,738.67	880,300.00	66,561.33
Cash Basis Net Income (Loss)	187,769.97	(352,900.00)	(540,669.97)

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
BUDGETARY COMPARISON SCHEDULE (CASH BASIS BUDGET) (CONTINUED)
June 30, 2014

RECONCILIATION OF CASH BASIS TO ACCRUAL BASIS

Depreciation Expense	(39,661.99)
Decrease in Accrued Interest Receivable	(33.87)
Increase in Current Receivables	236.00
Increase in Prepaid Expenses	384.22
Increase in Accounts Payable	(143.84)
Increase in Accrued Payroll	(594.48)
Decrease in Accrued Payroll Deductions	(178.12)
Decrease in Compensated Absences Payable	(746.69)
Net Reconciliation Cash to Accrual	(40,738.77)
INCREASE (DECREASE) IN NET POSITION (ACCRUAL)	147,031.20
NET POSITION – BEGINNING OF YEAR	1,244,645.63
NET POSITION - END OF YEAR	$1,391,676.83

INTERNAL CONTROL AND

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS

Hassell Ray York and Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 137 • Phone: 931-484-5570
Crossville, Tennessee 38557

October 27, 2014

Board of Directors
Fentress County Emergency
Communications District
P. O. Box 460
Jamestown, Tennessee 38556

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

We have audited, 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, the financial statements of the Fentress County Emergency Communications District, a component unit of Fentress County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which comprise Fentress County Emergency Communications District's basic financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control Over Financial Reporting

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

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.

HASSELL RAY YORK AND ASSOCIATES, P.C.

Hassell Ray York
Certified Public Accountant
Crossville, Tennessee
October 27, 2014