

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Financial Statement
For the Fiscal Year Ended June 30, 2014

Audited by:



Introduction Section

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Table of Contents
For the Fiscal Year Ended June 30, 2014

	<u>Page</u>
<u>Introduction Section</u>	
Table of Contents	1
Roster of Board Members and Management	2
<u>Management Discussion and Analysis Section</u>	
Management's Discussion and Analysis	3-6
<u>Financial Section</u>	
Independent Auditor's Report	7-9
Basic Financial Statements:	
Statement of Net Position	10
Statement of Revenue, Expenses and Changes in Net Position	11-12
Statement of Cash Flows	13-14
Notes to the Financial Statements	15-20
<u>Supplementary Information</u>	
Schedule of Revenue and Expenses - Budget to Actual	21-22
<u>Internal Control and Compliance Section</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	23-24
Schedule of Audit Findings and Responses	25

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Roster of Board Members and Management
June 30, 2014

Board of Directors

Position Held

William Hensley, Chairman	Unicoi County Commissioner
Edward Herndon, Vice Chairman	Director of Emergency Preparedness of Unicoi County
Robert Adams	Member of Firefighters Association
Doris Hensley, Secretary (Non-Voting Member)	Town of Erwin Mayor
Glenn Rosenoff (Voting Member), Secretary/Treasurer	For Town of Erwin Mayor
Greg Lynch	Unicoi County Mayor
Johnny Lynch	Town of Unicoi Mayor
Mike Hensley	Sheriff of Unicoi County
Regan Tilson, Erwin Chief of Police	Member at Large

Management

Patsy Ledford

Director

Management Discussion and Analysis Section

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Management's Discussion and Analysis
June 30, 2014

As management of the Unicoi County Emergency Communications District (the District), a component unit of Unicoi County, Tennessee, we offer readers of the District financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$919,251 (*net position*). Of this amount, \$513,828 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors. Restricted net position of \$101,266 are funds to be used to purchase assets needed for the conversion to the next generation technology. The balance of the net position was the investment in capital assets.
- The total net position increased by \$293,901 from District operations.
- The District's total debt decreased by \$26,695 during the current fiscal year. The net decrease was attributable to the timing of year end accrued expenses and the payoff of a capital lease to purchase Next Generation 911 equipment.
- At year end, the District did not have any deferred inflows or deferred outflows of resources.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The financial statements can be found on pages 10-20.

The financial operations of the districts must be accounted for in an enterprise fund. Enterprise funds are reported using a flow of economic resources measurement focus and the accrual basis of accounting. These are the same measurement focus and basis of accounting used by private business enterprises. Revenues are recognized in enterprise funds when they are earned and expenses are recognized as soon as a liability is incurred.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and *net position*. The statement of net position is presented in a format that displays *assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position*.

(Continued)

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Management's Discussion and Analysis (Continued)
June 30, 2014

The *statement of revenue, expenses and change in net position* presents information showing how the government's net position changed during the most recent fiscal year. Revenue, an inflow of resources, is an acquisition of net assets by the District that is applicable to the current reporting period. Expenses, an outflow of resources, is a consumption of net assets by the District that is applicable to the reporting period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *statement of cash flows* is presented on the direct method.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 15-20 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information consists of management's discussion and analysis. The Tennessee Code Annotated requires emergency communications districts to adopt and operate under an annual budget. The schedule of revenue and expenses - budget to actual is in the supplemental information section.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the financial direction of the organization. In the case of the District, net position was \$919,251 at June 30, 2014, an increase of \$293,901 over the net position of the prior year.

A portion of the District's net position (33 percent) reflects its investment in capital assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

At the end of the current fiscal year, the District is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

(Continued)

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Management's Discussion and Analysis (Continued)
June 30, 2014

Unicoi County Emergency Communications District
Net Position

	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 663,733	\$ 468,594
Capital Assets	<u>304,197</u>	<u>232,130</u>
Total Assets	<u>\$ 967,930</u>	<u>\$ 700,724</u>
Deferred Outflows of Resources	\$ 0	\$ 0
Long-Term Liabilities Outstanding	\$ 0	\$ 47,250
Other Liabilities	<u>48,679</u>	<u>28,124</u>
Total Liabilities	<u>\$ 48,679</u>	<u>\$ 75,374</u>
Deferred Inflows of Resources	\$ 0	\$ 0
Net Position:		
Net Invested in Capital Assets	\$ 304,197	\$ 170,380
Restricted - Grantor Imposed	101,226	0
Unrestricted	<u>513,828</u>	<u>454,970</u>
Total Net Position	<u>\$ 919,251</u>	<u>\$ 625,350</u>

District Activities. Activities increased the District's net position by \$293,901. Key elements of this increase are as follows:

Unicoi County Emergency Communications District
Changes in Net Position

	<u>2014</u>	<u>2013</u>
Revenues:		
Operating Revenue	\$ 366,653	\$ 359,309
Nonoperating Revenue	<u>211,532</u>	<u>69,172</u>
Total Revenues	<u>\$ 578,185</u>	<u>\$ 428,481</u>
Expenses:		
Operating Expenses	\$ 284,284	\$ 283,723
Total Expenses	<u>\$ 284,284</u>	<u>\$ 283,723</u>
Change in Net Position	\$ 293,901	\$ 144,758
Net Position - Beginning	<u>625,350</u>	<u>480,592</u>
Net Position - Ending	<u>\$ 919,251</u>	<u>\$ 625,350</u>

Cash Flows

Net cash from operating activities during the year ended June 30, 2014, was \$151,154, an increase of \$41,528 from the prior year amount. This increase was principally due to a decrease in operating expenses. The cash flow from noncapital financing activity of \$211,362 was an increase over the

(Continued)

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Management's Discussion and Analysis (Continued)
June 30, 2014

prior year resulting from a non-recurring payment from the Tennessee Emergency Communications Board (TECB) of \$134,931 and a contribution from the Town of Unicoi of \$7,500. Net cash used by capital and financial activities included the purchase of equipment of \$105,207 and the payment on the capital lease of \$60,750 during the year ended June 30, 2014. Net cash from investing activities for the year ended June 30, 2014 consisted of interest income.

Budgetary Highlights

Differences between the budget and statement of revenues, expenses and change in net position can be briefly summarized as follows:

- The budget, which was approved at the beginning of the year, was not amended.
- The budget for the TECB Shared Wireless charges included the TECB - Operational Funding, TECB - GIS/TIPS and TECB - Dispatcher Training that was reported separately in the basic financial statements and budget comparison.
- Nonoperating revenue included an unbudgeted non-recurring payment from TECB.
- Operating and nonoperating revenues exceeded the budgeted amounts.
- Budgeted operating expenses exceeded actual expenses.

The result was an increase in net position over budget of \$183,871.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for the year ended June 30, 2014 increased by \$72,066 (current year additions of \$105,206, net of current year depreciation of \$33,140). The additions include Next Generation 911 equipment that are not in service at year end of \$97,464.

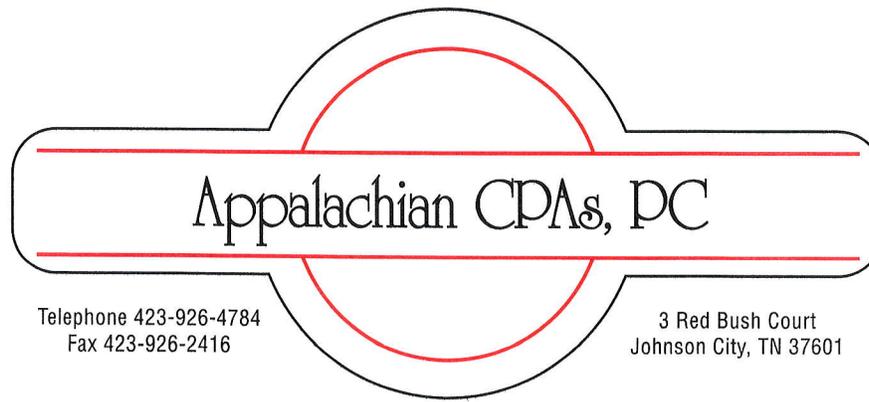
The District had no long-term debt as of June 30, 2014.

Requests for Information

This financial report is designed to provide a general overview of the Unicoi County Emergency Communications District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for addition financial information provided in this report or requests for additional financial information should be addressed to the Board of Commissioners, Unicoi County Emergency Communications District, 102 North Main Street, Erwin, Tennessee 37650.

Respectfully Submitted,
The Board of Commissioners

Financial Section



August 22, 2014

Independent Auditor's Report

Board of Commissioners
Unicoi County Emergency Communications District
Erwin, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee, as of and for the year ended June 30, 2014, 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 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 respective financial position of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee as of June 30, 2014, and the respective 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 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Boards, 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 of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee. The supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements. The Schedule of Revenue & Expenses - Budget to Actual is the responsibility of management and is derived from and relate directly to the underlying accounting

and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2014, on our consideration of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee'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 Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee's internal control over financial reporting and compliance.

Appalachian CPAs, PC

Appalachian CPAs, PC
Johnson City, Tennessee
EIN 62-1337124

Engagement Partner/Officer
Kenneth W. McCurry, CPA
3 Red Bush Court
Johnson City, TN 37601
(423) 926-4784

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Statement of Net Position
June 30, 2014

Assets

Current Assets:

Cash and Cash Equivalents	\$ 596,790
Certificate of Deposit	54,772
Accounts Receivable	10,432
Prepaid Expenses	1,739
Total Current Assets	<u>\$ 663,733</u>

Capital Assets Not Being Depreciation:

Communications Equipment - Not in Service	\$ 97,464
Capital Assets (Net of Depreciation):	
Leasehold Improvements	\$ 100,584
Communications Equipment	102,549
Office Equipment	3,600
Total Capital Assets (Net of Depreciation)	<u>\$ 206,733</u>

Total Assets \$ 967,930

Deferred Outflows of Resources: \$ 0

Liabilities

Current Liabilities:

Accounts Payable	\$ 1,116
Accrued Expenses	47,563
Total Current Liabilities	<u>\$ 48,679</u>

Total Liabilities \$ 48,679

Deferred Inflows of Resources: \$ 0

Net Position

Investment in Capital Assets	\$ 304,197
Restricted - Grantor Imposed	101,226
Unrestricted	513,828
	<u>513,828</u>

Total Net Position \$ 919,251

The notes to the financial statements are an integral part of this statement.

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin Tennessee
Statement of Revenue, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

Operating Revenues

Emergency Telephone Service Charge	\$ 117,883
Tennessee Emergency Communications Board- Shared Wireless Charge	46,646
Tennessee Emergency Communications Board- Operational Funding	142,860
Tennessee Emergency Communications Board- GIS/TIPS	51,264
Tennessee Emergency Communications Board- Dispatcher Training	8,000
Total Operating Revenues	<u>\$ 366,653</u>

Operating Expenses

Salaries and Wages - Contract Employees

Director	\$ 36,425
Dispatchers	140,924
Total Salaries and Wages - Contract Employees	<u>\$ 177,349</u>

Contracted Services

Accounting Services	\$ 6,000
Audit Services	5,000
Maintenance Agreements	2,000
TBI Expenses	2,010
Lease/Rental Office Equipment	1,210
Maintenance and Repairs - Building & Facilities	311
Maintenance and Repairs - Communications Equipment	4,288
Total Contracted Services	<u>\$ 20,819</u>

Supplies and Materials

Office Supplies	\$ 8,178
Data Processing Supplies	4,499
Postage	100
Uniforms & Shirts	2461
Utilities - General Telephone	29,186
Utilities - Cell Phones and Pagers	708
Total Supplies and Materials	<u>\$ 45,132</u>

(Continued)

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin Tennessee
Statement of Revenue, Expenses, and Changes in Net Position (Continued)
For the Fiscal Year Ended June 30, 2014

<u>Other Charges</u>	
Training Expense	\$ 3,847
Dues & Memberships	156
Employee Testing and Exam	610
Premiums on Surety Bonds	127
Insurance Equipment	48
License & Fees	1400
Travel Expense	<u>1,656</u>
Total Other Charges	<u>\$ 7844</u>
<u>Depreciation</u>	
Depreciation Expense	\$ 33,140
Total Depreciation	<u>\$ 33,140</u>
Total Operating Expenses	<u>\$ 284,284</u>
<u>Operating Income (Loss)</u>	<u>\$ 82,369</u>
<u>Nonoperating Revenues and (Expenses)</u>	
Interest Income	\$ 170
Contributions from Other Governments	42,500
Tennessee Emergency Communications Board- Grants and Reimbursements	<u>168,862</u>
Total Nonoperating Revenues and (Expenses)	<u>\$ 211,532</u>
<u>Increase (Decrease) in Net Position</u>	<u>\$ 293,901</u>
<u>Total Net Position - Beginning of Year</u>	<u>625,350</u>
<u>Total Net Position - End of Year</u>	<u>\$ 919,251</u>

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

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Statement of Cash Flows
For the Year Ended June 30, 2014

<u>Cash Flows from Operating Activities</u>	
Cash Received from Surcharges and Other Revenues	\$ 367,037
Cash Payments to Suppliers for Goods and Services	(73,372)
Cash Payments for Payroll, Taxes and Related Benefits	<u>(142,511)</u>
Net Cash Provided from Operating Activities	<u>\$ 151,154</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Grants/Reimbursements TECB	\$ 168,862
Contributions from Other Governments	<u>42,500</u>
Net Cash Provided from Noncapital Financing Activities	<u>\$ 211,362</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchase of Capital Assets	\$ (105,207)
Payments on Capital Lease	<u>(60,750)</u>
Net Cash Used for Capital and Related Financing Activities	<u>\$ (165,957)</u>
<u>Cash Flows from Investing Activities</u>	
Purchase of Investment Securities	\$ (123)
Interest Income Received	<u>170</u>
Net Cash Provided from Investing Activities	<u>\$ 47</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	\$ 196,606
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>400,184</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 596,790</u>

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, 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)	\$ 82,369
Adjustments to Reconcile Net Operating Income (Loss)	
to Net Cash Provided by (Used for) Operating Activities	
Depreciation Expense	33,140
Changes in Assets and Liabilities	
(Increase) Decrease in Current Receivables	384
(Increase) Decrease in Prepaid Expenses	1,206
Increase (Decrease) in Accounts Payable	(783)
Increase (Decrease) in Accrued Payroll	34,838
Net Cash Provided by Operating Activities	\$ 151,154

Reconciliation of Cash with Statement of Cash Flows

Cash Per Statement of Net Position	\$ 596,790
Investments with Original Maturity of 3 Months or Less	0
Cash and Cash Equivalents June 30, 2014	\$ 596,790

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

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Notes to the Financial Statements
June 30, 2014

Note 1 General Information and Significant Accounting Policies

The Organization

Unicoi County Emergency Communications District is an emergency communications district located in Unicoi County, Tennessee that operates as directed by *Tennessee Code Annotated Section 7-86*. The District began operations in 1999 as an enterprise fund.

Unicoi County Emergency Communications District is a discretely presented Component Unit of Unicoi County, Tennessee. The District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Unicoi County, and the Unicoi County Commission appoints its governing body. The District has a nine member board comprised of the Unicoi County Mayor, Town of Erwin Mayor, Town of Unicoi Mayor, Sheriff of Unicoi County, Police Chief of Town of Erwin, Director of Emergency Preparedness of Unicoi County, a member appointed by the Unicoi County Commission, a member of Firefighters Association, and a member at large who is appointed by the County Mayor and confirmed by the County Commission. The District is funded primarily through a service charge levied on telephone services. Before issuance of most debt instruments, the District must obtain the County Commissioner's approval.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the District have been prepared with the economic resources measurement focus and accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

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

Policy for Defining Operating and Non-Operating revenue and Recognition of Revenue and Expenses

Operating revenue consists of Emergency Telephone Service Charges, Tennessee Emergency Communications Board (TECB) Shared Wireless Charges and Tennessee Emergency Communications (TECB) Operating Fund and other recurring receipts. Subscriber fee revenue from E-911 service charges for telephone landlines are recognized in the period in which monthly subscribers fees are billed by the service supplier. Revenue from the TECB Shared Wireless Charges, which consist of 25% of the revenue generated by the state board, and the TECB Operating Fund and other recurring receipts are received by the District monthly.

Non-Operating revenue consists of investment income, contributions from primary government and other governments, and grants and reimbursements from the Tennessee Emergency Communications Board.

(Continued)

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2014

Note 1 General Information and Significant Accounting Policies (Continued)

Operating expenses are recognized on the accrual basis. The required and permissible uses of 911 revenues are limited to those uses outlined in the 911 Revenue Standards adopted by the Tennessee Emergency Communications Board.

Budget and Budgetary Accounting

In accordance with Tennessee Code Annotated, an annual budget is adopted by the District. The budget is approved by the Board and is also submitted to the primary government, Unicoi County, Tennessee. As a legal level of control, expenses are presented at the line-item level in accordance with the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications District*.

Cash and Cash Equivalent

The cash and cash equivalents on the statement of cash flows includes petty cash, cash on hand, demand deposits, and certificates of deposit with an original maturity of three months or less.

Deposits and Investments

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The District is authorized by the governing board to invest with local financial institutions that are members of the State Collateral Pool. The Cash - Certificate of Deposit account has an original maturity of greater than three months. There were no other investments for the year.

Accounts Receivable

Accounts receivable consist of various surcharges levied on telephone services which were collected by the service provider. The District considers the accounts to be fully collectible; therefore, no allowance for uncollectible has been recorded.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The items include insurance and maintenance contracts.

Capital Assets

Capital assets, which include property and equipment, are defined as assets with an initial estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized.

(Continued)

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2014

Note 1 General Information and Significant Accounting Policies (Continued)

The capital assets are depreciated on the straight-line basis over their various estimated lives. The cost of intangible assets are amortized over their estimated useful lives.

Capital assets not being depreciated consist of assets that have been purchased but where not in service at year end.

Advertising

Advertising costs are expensed as incurred.

Net Position

The equity reported in the statement of net position is displayed in three components: “invested in capital assets” “restricted,” and “unrestricted.” The following explains each:

Net invested in capital assets consists of capital assets, reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets.

The restricted component of net position reports the net positions with limits on their use that are externally imposed (by creditors, grantors, contributors, or the laws or regulations of other governments) or that are imposed by the government’s own constitutional provisions or enabling legislation.

Unrestricted net position consists of all net positions that do not meet the definition of either of the other two components.

Use of Estimates

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.

Note 2 Bank Deposits

Bank deposits as of the balance sheet date are entirely insured or collateralized with securities held by the District’s agent in the State of Tennessee Collateral Pool.

(Continued)

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2014

Note 3 Receivables

Accounts receivable consist of various surcharges levied on telephone services which were collected by the service provider and remitted to the District after year end in the amount of \$10,432.

Note 4 Related Party Transaction

The contract bookkeeper of the District is a non-voting member of the Board of Directors and the wife of the Chairman of the Board of Directors. The bookkeeping services includes maintaining the accounting records, processing the various payable, and bank deposits and reconciliation of the accounting records. The bookkeeper fees for the year were \$6,000 with no payable at year end.

The District is a component unit of Unicoi County, Tennessee. The District staff are employees of Unicoi County. The District reimburses the County for their director's salary and one half of the other employee's payroll costs. The salary and wage reimbursement cost for the year was \$177,349 of which \$47,564 was payable at year end. Unicoi County also provides space to house the operations of the District rent free.

Note 5 Risk Management

The Unicoi County Emergency Communications District's exposure to various risks of loss to theft of, damage to, and destruction of assets; error and omissions; natural disasters; and the building are covered by the comprehensive insurance police of Unicoi County.

Note 6 Operating Leases

The District's operating lease of a Canon Copier expired in December, 2013 and was converted to a month to month rental. The cost of the lease/rent for the year was \$1,210.

Note 7 Capital Lease

In 2013, as part of a inter-local agreement with seven other emergency communications districts, the District acquired under a capital lease a joint interest in a cassidian controller that is part of the conversion to the next generation technology. The lease was to have been for a period of 5 years. During the current year, \$66,531 was received from the Tennessee Emergency Communications District to purchase the equipment and liquidate the capital lease.

(Continued)

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2014

Note 8 Inter-Local Agreement

The District has entered an inter-local agreement with 7 other Districts for the acquisition maintenance and joint use of Next Generation 911 equipment. The agreement require the District to pay one-eighth of the related cost.

The District has inter-local agreements with the Town of Erwin and the Town of Unicoi under which the Towns agree to assist in the funding of the District operations. In the current year, the Town of Erwin contributed \$35,000 and the Town of Unicoi contributed \$7,500.

Note 9 Capital Assets

Capital asset additions, retirements, and balances for the year ended June 30, 2014 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Capital Assets</u>				
Equipment Not in Service	\$ 0	\$ 97,464	\$ 0	\$ 97,464
Leasehold Improvements	188,857	0	0	188,857
Communications Equipment	629,485	7,742	0	637,227
Office Equipment	<u>49,341</u>	<u>0</u>	<u>0</u>	<u>49,341</u>
Total Capital Assets	<u>\$ 867,683</u>	<u>\$ 105,206</u>	<u>\$ 0</u>	<u>\$ 972,889</u>
<u>Less Accumulated Depreciation</u>				
Leasehold Improvements	\$ 78,322	\$ 9,951	\$ 0	\$ 88,273
Communications Equipment	512,808	21,870	0	534,678
Office Equipment	<u>44,422</u>	<u>1,319</u>	<u>0</u>	<u>45,741</u>
Total Accumulated Depreciation	<u>\$ 635,552</u>	<u>\$ 33,140</u>	<u>\$ 0</u>	<u>\$ 668,692</u>
Capital Assets, Net	<u>\$ 232,131</u>	<u>\$ 72,066</u>	<u>\$ 0</u>	<u>\$ 304,197</u>

(Continued)

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Notes to the Financial Statements (Continued)
June 30, 2014

Note 10 Restricted Net Position

At year end the District was holding funds of \$101,226 received from the Tennessee Emergency Communications District for the purchase of a NG 911 Controller that is in the process of being installed.

Note 11 Commitments

The District is in the process of converting to the Next Generation technology (NG-911). The funding for the conversion will be provided by the Tennessee Emergency Communications District of which \$101,226 are on hand as restricted net position. As part of that conversion process, the District has entered into the agreements for the following:

<u>Vendor</u>	<u>Description</u>	<u>Amounts</u>
EZ911	Balance due on the EZ-911 Cad System	\$ 37,649
Century Link	NG911 Comptroller	101,226
Whitley's		
Communication Service	Radio Antenna Equipment	118,232
Bonitz, Inc.	Dispatch & Server Room Furnishings	<u>119,109</u>
Total Commitments		<u>\$ 376,216</u>

Note 12 Subsequent Events

Subsequent events for Unicoi County Emergency Communications District were evaluated by management up to August 22, 2014, which is the financial statement issuance date.

Note 13 Other Required Disclosures

Depreciation expense for the year was \$33,140.

There was no amortization expense for the year.

There was no advertising costs for the year.

There was no interest costs incurred and charged to expense for the year. No interest costs were capitalized.

Supplementary Information

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Schedule of Revenue and Expenses - Budget to Actual
June 30, 2014

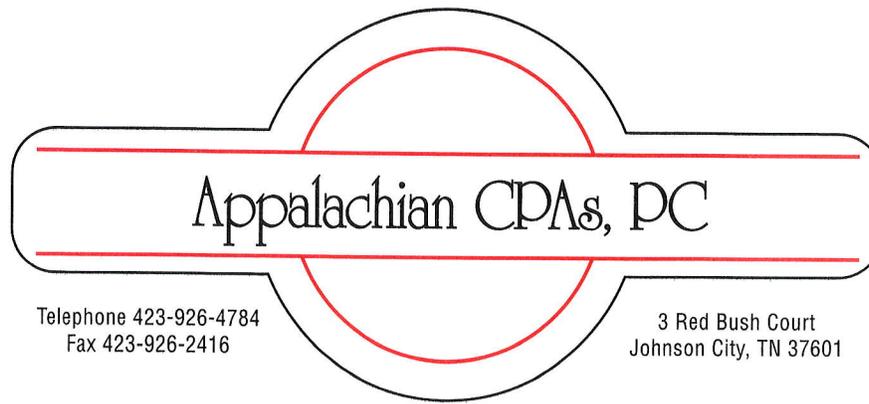
	<u>Budgeted Amounts</u>		<u>Actual Amounts (See Note A)</u>	<u>Favorable (Unfavorable) with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Operating Revenues</u>				
Emergency Telephone Service Charges	\$ 195,000	\$ 195,000	\$ 117,883	\$ (77,117)
TECB - Shared Wireless Charge	210,000	210,000	46,646	(163,354)
TECB - Operational Funding	0	0	142,860	142,860
TECB - GIS/TIPS	0	0	51,264	51,264
TECB - Dispatcher Training	0	0	8,000	8,000
Total Operating Revenues	<u>\$ 405,000</u>	<u>\$ 405,000</u>	<u>\$ 366,653</u>	<u>\$ (38,347)</u>
<u>Operating Expenses</u>				
<u>Salaries and Wages</u>				
Director	\$ 36,425	\$ 36,425	\$ 36,425	\$0
Dispatchers	150,475	150,475	140,924	9,551
Total Salaries and Wages	<u>\$ 186,900</u>	<u>\$ 186,900</u>	<u>\$ 177,349</u>	<u>\$ 9,551</u>
<u>Contracted Services</u>				
Audit Services	\$ 6,000	\$ 6,000	\$ 5,000	\$ 1,000
Accounting Services	6,000	6,000	6,000	0
Maintenance Agreements	2,500	2,500	2,000	500
NCIC/TBI/TIES Expenses	2,750	2,750	2,010	740
Lease/Rental - Office Equipment	2,000	2,000	1,210	790
Maintenance and Repairs - Communications Equipment	5,000	5,000	4,288	712
Maintenance and Repairs - Vehicles	500	500	0	500
Maintenance and Repairs - Buildings and Facilities	500	500	311	189
Total Contracted Services	<u>\$ 25,250</u>	<u>\$ 25,250</u>	<u>\$ 20,819</u>	<u>\$ 4,431</u>
<u>Supplies and Materials</u>				
Office Supplies	\$ 8,500	\$ 8,500	\$ 8,178	\$ 322
Data Processing Supplies	6,000	6,000	4,499	1,501
Custodial Supplies	100	100	0	100
Postage	100	100	100	0
Small Equipment Purchases	15,000	15,000	0	15,000
Uniforms and Shirts	3,000	3,000	2,461	539
Utilities - General Telephone	43,000	43,000	29,186	13,814
Utilities - Cell Phones and Pagers	750	750	708	42
Total Supplies and Materials	<u>\$ 76,450</u>	<u>\$ 76,450</u>	<u>\$ 45,132</u>	<u>\$ 31,318</u>

(Continued)

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Schedule of Revenue and Expenses - Budget to Actual
June 30, 2014

	<u>Budgeted Amounts</u>		Actual Amounts (See Note A)	Favorable (Unfavorable) with Final Budget
	<u>Original</u>	<u>Final</u>		
<u>Other Charges</u>				
Dues and Memberships	\$ 500	\$ 500	\$ 156	\$ 344
Insurance & Premiums on Surety Bonds	350	350	175	175
Training Expenses	7,500	7,500	3,847	3,653
Travel Expenses	7,000	7,000	1,656	5,344
Other Charges - Miscellaneous	7,500	7,500	2,010	5,490
Total Other Charges	<u>\$ 22,850</u>	<u>\$ 22,850</u>	<u>\$ 7,844</u>	<u>\$ 15,006</u>
<u>Depreciation</u>				
Depreciation Expense	\$ 26,520	\$ 26,520	\$ 33,140	\$ (6,620)
Total Depreciation	<u>\$ 26,520</u>	<u>\$ 26,520</u>	<u>\$ 33,140</u>	<u>\$ (6,620)</u>
<u>Total Operating Expenses</u>	<u>\$ 337,970</u>	<u>\$ 337,970</u>	<u>\$ 284,284</u>	<u>\$ 53,686</u>
<u>Operating Income (Loss)</u>	<u>\$ 67,030</u>	<u>\$ 67,030</u>	<u>\$ 82,369</u>	<u>\$ 15,339</u>
<u>Non-Operating Revenues (Expenses)</u>				
Interest Income	\$ 500	\$ 500	\$ 170	\$ (330)
Contributions from Other Governments	42,500	42,500	42,500	0
TECB - Non-Operating Revenues (Expenses)	0	0	168,862	168,862
Total Non-Operating Revenues (Expenses)	<u>\$ 43,000</u>	<u>\$ 43,000</u>	<u>\$ 211,532</u>	<u>\$ 168,532</u>
<u>(Deficit) Excess of Operating Revenues Over Operating Costs and Expenses and Non-Operating Revenues (Expenses)</u>	<u>\$ 110,030</u>	<u>\$ 110,030</u>	<u>\$ 293,901</u>	<u>\$ 183,871</u>

Internal Control and Compliance Section



August 22, 2014

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 *Governmental Auditing Standards*

Commissioners of Unicoi County Emergency Communications District
Erwin, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Unicoi County Emergency Communications District's basic financial statements and have issued our report thereon dated August 22, 2014.

Internal Control Over Financial Reporting

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

(Continued)

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. 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 Unicoi 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 the 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.

Appalachian CPAs, PC

Appalachian CPAs, PC
Johnson City, Tennessee

Unicoi County Emergency Communications District
A Component Unit of Unicoi County, Tennessee
Erwin, Tennessee
Schedule of Audit Findings and Responses
June 30, 2014

Prior Year Significant Deficiencies Implemented:

2013-1: The corrective actions for the finding has been implemented.