

**CROCKETT COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2014

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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INTRODUCTORY SECTION

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
JUNE 30, 2014**

SCHEDULE OF OFFICIALS

Ben Mehr, Chairperson
Brandon Ward, Vice-Chairman
Casey Burnett, Board Member
Sherri Gideon, Board Member
Lloyd Johnson, Board Member
Jim Knox, Board Member
Jackie Perry, Board Member
Timmy Williams, Board Member
William Young, Board Member

Management Officials

Brian Black, Executive Director

FINANCIAL SECTION

Members of:

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



Certified Public Accountants
Offices in Tennessee & Kentucky

227 Oil Well Rd.
Jackson, TN 38305

Phone 731.427.8571
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www.atacpa.net

Independent Auditor's Report

Board of Directors
Crockett County Emergency Communications District
Alamo, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Crockett County Emergency Communications District, a component unit of Crockett County, Tennessee, as of and for the year ended June 30, 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 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. Because of the matters described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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.

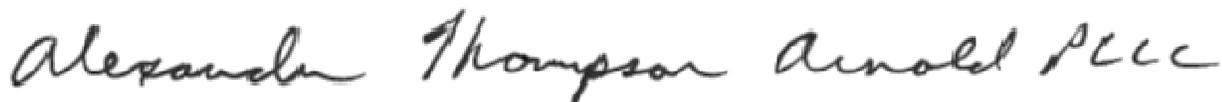
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Disclaimer of Opinion on the Financial Statements

Records supporting the expenses reported in the financial statements of the Crockett County Emergency Communications District were incomplete for the year ended June 30, 2014 and also board minutes for the year ended June 30, 2014 were incomplete.

Disclaimer of Opinion

Because of the significance of the matters described in the "Basis for Disclaimer of Opinion on the Financial Statements" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Crockett County Emergency Communications District. Accordingly, we do not express an opinion on these financial statements.

A handwritten signature in black ink that reads "Alexander Thompson Arnold PCCC". The signature is written in a cursive style.

Jackson, Tennessee
September 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Crockett County Emergency Communications District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. All amounts, unless otherwise indicated, are expressed in actual dollars.

FINANCIAL HIGHLIGHTS

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

- Total assets at year-end were \$782 thousand and exceeded liabilities in the amount of \$776 thousand (i.e. net position). Total assets decreased by \$18 thousand.
- Net position decreased \$13 thousand during the current year.
- Operating revenues were \$241 thousand, a decrease from year 2013 in the amount of \$38 thousand or 13.59%.
- Operating expenses were \$242 thousand, a decrease from year 2013 in the amount of \$59 thousand or 19.68%.
- The operating loss for the year was \$1,315 as compared to a \$22,757 loss during the 2013 fiscal year.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

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

REQUIRED FINANCIAL STATEMENTS

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

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

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

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

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

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

FINANCIAL ANALYSIS

One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net Position of the District and the changes in the net position. Net Position is one way to measure the financial health or financial position of the District. Over time, increases or decreases in the District's net Position are an indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The District's total net position decreased by \$13 thousand for the fiscal year ended June 30, 2014. The analysis below focuses on the District's net position (Table 1) and changes in net position (Table 2) during the year.

Table 2A
CONDENSED STATEMENT NET POSITION

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			\$	%
Current and other assets	\$ 575,508	\$ 533,854	\$ 41,654	7.80%
Capital assets	206,572	265,798	(59,226)	-22.28%
Total assets	782,080	799,652	(17,572)	-2.20%
Total liabilities	6,417	10,927	(4,510)	-41.27%
Investment in capital assets	206,572	265,798	(59,226)	-22.28%
Unrestricted net position	569,091	522,927	46,164	8.83%
Total net position	\$ 775,663	\$ 788,725	\$ (13,062)	-1.66%

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

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

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

	June 30, 2014	June 30, 2013	Increase (Decrease)	
			\$	%
Operating revenues	\$ 241,061	\$ 278,989	\$ (37,928)	-13.59%
Non-operating revenues	1,846	6,837	(4,991)	-73.00%
Total revenues	242,907	285,826	(42,919)	-15.02%
Salaries and wages	54,629	81,383	(26,754)	-32.87%
Employee benefits	5,760	6,588	(828)	-12.57%
Contracted services	75,468	76,827	(1,359)	-1.77%
Supplies and materials	24,330	43,394	(19,064)	-43.93%
Other charges	22,961	23,159	(198)	-0.85%
Depreciation	59,228	70,395	(11,167)	-15.86%
Non-operating expenses	13,593	71,169	(57,576)	-80.90%
Total expenses	255,969	372,915	(116,946)	-31.36%
Income (loss) before capital contributions	(13,062)	(87,089)	74,027	-85.00%
Capital contributions from TECB	-	142,043	(142,043)	100.00%
Change in net position	(13,062)	54,954	(68,016)	-123.77%
Net position, beginning	788,725	733,771	54,954	7.49%
Net position, ending	\$ 775,663	\$ 788,725	(13,062)	-1.66%

Operating revenues showed a 13.59% decrease from 2013 to 2014. Expenses decreased 31.36% from 2013 to 2014. The decrease in expenses is primarily due to changes in staff and budgeting as a result of the prior year state investigation

CAPITAL ASSETS

At the end of the fiscal year 2014, the system had \$207 thousand (net of accumulated depreciation) invested in a broad range of District capital assets. This investment includes automobiles, equipment and various fixtures and pieces of furniture. Based on the uses of the aforementioned assets, they are classified for financial purposes as leasehold improvements, furniture and fixtures, office equipment, and communication equipment. This investment represents an overall decrease (net of increases and decreases) of \$59 thousand or 22.28% from last year.

The following tables summarize the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2014. These changes are presented in detail in Note 2B to the financial statements.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION				
	June 30, 2014	June 30, 2013	Increase (Decrease)	
			\$	%
Land	\$ 50,279	\$ 50,279	\$ -	0.00%
Leasehold Improvements	1,503	1,895	(392)	-20.69%
Furniture and fixtures	-	-	-	0.00%
Office equipment	3,008	4,102	(1,094)	-26.67%
Communication equipment	<u>151,782</u>	<u>209,522</u>	<u>(57,740)</u>	<u>-27.56%</u>
Total capital assets, net of accumulated depreciation	<u>\$ 206,572</u>	<u>\$ 265,798</u>	<u>\$ (59,226)</u>	<u>-22.28%</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

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

Assets

Current assets

Cash and cash equivalents	\$	570,936
Accounts receivable		3,241
Accrued interest receivable		266
Prepaid expenses		1,065
Total current assets		575,508

Noncurrent assets

Capital assets

Building and improvements		2,744
Land		50,279
Furniture and fixtures		6,359
Office equipment		10,744
Communication equipment		548,212
Accumulated depreciation		(411,766)
Net capital assets		206,572

Total assets **782,080**

Liabilities

Accounts payable		6,103
Payroll taxes payable		314
Total current liabilities		6,417

Total liabilities **6,417**

Net Position

Investment in capital assets		206,572
Unrestricted net position		569,091

Total net position **\$ 775,663**

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

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

Operating Revenues

Emergency telephone service charge	\$ 38,574
State Emergency Communications Board - shared wireless charge	36,947
State Emergency Communications Board - operational funding	124,388
Other operating revenues	<u>41,152</u>
Total operating revenues	<u>241,061</u>

Operating Expenses

Salaries and wages	54,629
Employee benefits	5,760
Contracted services	75,468
Supplies and materials	24,330
Other charges	22,961
Depreciation	<u>59,228</u>
Total operating expenses	<u>242,376</u>

Operating income (loss)	<u>(1,315)</u>
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Non-operating Revenues (Expenses)

Interest income	1,846
Cash shortages and theft	<u>(13,593)</u>
Total non-operating revenues (expenses)	<u>(11,747)</u>

Change in net position	(13,062)
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Net position, July 1, 2013	<u>788,725</u>
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Net position, June 30, 2014	<u><u>\$ 775,663</u></u>
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The accompanying notes are an integral part of the financial statements.

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2014

Cash flows from operating activities	
Cash received from services	\$ 383,359
Cash paid to suppliers of goods and services	(124,827)
Cash paid for employees' services and benefits	<u>(77,044)</u>
Net cash provided (used) by operating activities	<u>181,488</u>
Cash flows from investing activities	
Purchase of investments	(340,000)
Sale of investments	340,000
Interest on investments	<u>1,774</u>
Net cash provided (used) by investing activities	<u>1,774</u>
Net increase (decrease) in cash	183,262
Cash and cash equivalents-July 1, 2013	<u>387,674</u>
Cash and cash equivalents-June 30, 2014	<u>\$ 570,936</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (1,315)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	59,228
Changes in assets and liabilities	
Accounts receivable	142,298
Prepaid expenses	(620)
Accounts payable	(1,450)
Cash shortages and theft	(13,593)
Payroll taxes payable	<u>(3,060)</u>
Net cash provided (used) by operating activities	<u>\$ 181,488</u>

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

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

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

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

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

grants and reimbursements from TECB to be non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

C. Assets, Liabilities, and Net Position

Deposits and investments

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

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

Accounts receivable

The District bills all telephone customers within its boundaries by a surcharge on the telephone bills. The telephone companies and the Tennessee Emergency Communications Board then remit the collections on a regular basis to the District. At June 30, 2014, these telephone companies and Tennessee Emergency Communications Board are indebted to the District in the amount of \$3,241. There is no collateral or bonds securing these debts.

Capital assets

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

Deferred Outflows/Inflows of Resources

During the year ended June 30, 2014, the District adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of the statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2014.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category as of June 30, 2014.

Net Position Flow Assumption

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

Net Position

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

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

NOTE 2 – DETAILED NOTES ON ACCOUNTS

A. Deposits and investments

The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2014, \$530,867 of the District's bank balance was covered by federal depository insurance. The remaining \$40,247 was covered by the Tennessee State Collateral Pool.

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

B. Capital Assets

Capital asset activity for the year was as follows:

Description	Balance 6/30/13	Additions	Disposals	Balance 6/30/14
Capital assets, not being depreciated				
Land	\$ 50,279	\$ -	\$ -	\$ 50,279
Capital assets, being depreciated				
Buildings	2,744	-	-	2,744
Furniture and fixtures	6,359	-	-	6,359
Office equipment	10,744	-	-	10,744
Communication equipment	548,212	-	-	548,212
Total capital assets being depreciated	568,059	-	-	568,059
Less accumulated depreciation				
Buildings	849	392	-	1,241
Furniture and fixtures	6,359	-	-	6,359
Office equipment	6,642	1,094	-	7,736
Communication equipment	338,688	57,742	-	396,430
Total accumulated depreciation	352,540	59,228	-	411,766
Net capital assets	\$ 265,798	\$ (59,228)	\$ -	\$ 206,572

Depreciation expense for the year was \$59,228.

NOTE 3 – STEWARDSHIP, COMPLIANCE, and ACCOUNTABILITY

Budgetary Information

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

The following budget overages were noted:

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

<u>Expense</u>	<u>Overage</u>	<u>Expense</u>	<u>Overage</u>
GIS mapping	\$ 15,125	Cell and pagers	\$ 416
Other	500	Gas	1,760
Fees to providers	7,300	Water & Sewer	24
Legal services	222	Cable	986
Maintenance and repairs:		Other supply	832
Communications equipment	9,772	Dues and memberships	294
Vehicles	1,171	Insurance-liability	337
Office supplies	498	Insurance-equipment	366
Small equipment purchases	4,573	Insurance-vehicle	169
Telephone	320	Travel expenses	1,121

NOTE 4 – OTHER INFORMATION

Funding sources

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

Commitments

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

Risk management

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

Cash Shortages and Thefts

An investigative report issued by the Tennessee Comptroller of the Treasury in January of 2014 revealed that from July of 2010 through August of 2013, the Bookkeeper fraudulently issued checks totaling \$88,764 for personal use. The amount prior to July 1, 2013 totaled \$79,709. Subsequent to June 30, 2013 and during the period July 1, 2013 through August 2013 there was an additional \$9,055 for a total theft of \$88,764. As of April of 2014, litigation and sentencing have been carried out against the Bookkeeper in relation to the theft. Insurance and surety bond reimbursements were received subsequent to June 30, 2014. Amounts relevant to the 2013 financials have been classified in this report as cash shortages and theft in the financial statements for the theft in the amount of \$9,055 and related payroll losses of \$4,538.

OTHER SUPPLEMENTARY SECTION

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

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

For The Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Operating revenues				
Emergency telephone service charge	\$ 49,700	\$ 49,700	\$ 38,828	\$ (10,872)
SECB - share wireless charge	35,000	35,000	23,385	(11,615)
SECB - operational funding	125,000	125,000	149,178	24,178
Other operating revenues	24,500	24,500	11,924	(12,576)
	<u>\$ 234,200</u>	<u>\$ 234,200</u>	<u>\$ 223,315</u>	<u>\$ (10,885)</u>
Operating expenses				
Salaries and wages				
Director	\$ 50,000	\$ 50,000	\$ 26,054	\$ (23,946)
Administrative personnel	30,000	30,000	7,240	(22,760)
Overtime	1,000	1,000	-	(1,000)
Part-time	1,000	1,000	-	(1,000)
GIS mapping	18,000	18,000	33,125	15,125
Employee benefits				
Payroll expenses	9,000	9,000	8,029	(971)
Contracted services				
Audit services	4,560	4,560	-	(4,560)
Other	-	-	500	500
Fees to providers	6,000	6,000	13,300	7,300
Legal services	900	900	1,122	222
Maintenance agreements	21,226	21,226	20,393	(833)
Other Consultants	100	100	-	(100)
Lease - office equipment	1,000	1,000	813	(187)
Rent	4,800	4,800	4,800	-
Pest control	180	180	180	-
Maintenance and repairs:				
Communications equipment	6,250	6,250	16,022	9,772
Buildings	500	500	275	(225)
Office equipment	250	250	-	(250)
Vehicles	750	750	1,921	1,171
Fuel	900	900	479	(421)
Emergency telephone service	18,175	18,175	15,924	(2,251)
Supplies and materials				
Office supplies	500	500	998	498
Postage	500	500	296	(204)
Small equipment purchases	3,500	3,500	8,073	4,573
Uniforms	300	300	-	(300)
GIS supply	200	200	-	(200)
Telephone	1,115	1,115	1,435	320
Cell and pagers	1,200	1,200	1,616	416
Electric	2,300	2,300	2,265	(35)
Gas	1,000	1,000	2,760	1,760
Water & Sewer	350	350	374	24

See independent auditor's report.

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

For The Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Supplies and materials				
Cable	\$ -	\$ -	\$ 986	\$ 986
Other supply	2,500	2,500	3,332	832
Fax	1,100	1,100	662	(438)
Miscellaneous	6,000	6,000	730	(5,270)
Other charges				
Dues and memberships	640	640	934	294
Insurance-workman's comp	4,500	4,500	3,286	(1,214)
Insurance-liability	2,940	2,940	3,277	337
Insurance-equipment	1,508	1,508	1,874	366
Insurance-vehicle	962	962	1,131	169
Premiums on surety bonds	794	794	793	(1)
Public education	2,000	2,000	910	(1,090)
Service awards	250	250	96	(154)
Training expenses	6,500	6,500	4,712	(1,788)
Travel expenses	4,500	4,500	5,621	1,121
Internet	3,500	3,500	2,053	(1,447)
Miscellaneous	1,800	1,800	419	(1,381)
Depreciation	65,000	65,000	-	(65,000)
Total operating expenses	<u>\$ 290,050</u>	<u>\$ 290,050</u>	<u>\$ 198,810</u>	<u>\$ (91,240)</u>
Operating income (loss)	<u>\$ (55,850)</u>	<u>\$ (55,850)</u>	<u>\$ 24,505</u>	<u>\$ 80,355</u>
Non-operating revenues (expenses)				
Interest income	2,000	2,000	1,774	(226)
Loss on disposal of property	(1,500)	(1,500)	-	1,500
Total non-operating revenues (expenses)	<u>500</u>	<u>500</u>	<u>1,774</u>	<u>1,274</u>
Income (loss) before capital contributions	<u>\$ (55,350)</u>	<u>\$ (55,350)</u>	<u>\$ 26,279</u>	<u>\$ 81,629</u>
Capital Contributions				
Capital contributions form TECB	<u>100,000</u>	<u>100,000</u>	<u>160,043</u>	<u>60,043</u>
Change in net position	44,650	44,650	186,322	141,672

See independent auditor's report.

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

For The Year Ended June 30, 2014

Reconciliation To GAAP	
Net income-budgetary basis	\$ 186,322
Adjustments for:	
Revenues to accrual basis	(142,225)
Expenses to accrual basis	2,069
Depreciation expense	<u>(59,228)</u>
Change in Net Position-GAAP basis	<u>\$ (13,062)</u>

See independent auditor's report.

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENSES

For The Year Ended June 30, 2014

Salaries and wages	
Director	\$ 23,117
Administrative personnel	4,347
Part-time	133
GIS mapping	27,032
	<u>54,629</u>
Employee benefits	
Payroll expenses	<u>5,760</u>
Contracted services	
Other	500
Fees to providers	13,300
Legal services	1,122
Maintenance agreements	20,393
Lease - office equipment	813
Rent	4,800
Pest control	229
Maintenance and repairs:	
Communications equipment	16,022
Buildings	275
Vehicles	1,921
Fuel	479
Emergency telephone service	15,614
	<u>75,468</u>
Supplies and materials	
Office supplies	998
Postage	296
Small equipment purchases	8,777
Telephone	1,334
Cell and pagers	1,591
Electric	2,236
Gas	2,759
Water & Sewer	371
Cable	986
Other supply	3,318
Fax	596
Miscellaneous	1,068
	<u>\$ 24,330</u>

See independent auditor's report.

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

For The Year Ended June 30, 2014

Other charges		
Dues and memberships	\$	934
Insurance-workman's comp		3,286
Insurance-liability		3,277
Insurance-equipment		1,874
Insurance-vehicle		1,131
Premiums on surety bonds		174
Public education		1,004
Service awards		96
Training expenses		4,812
Travel expenses		4,468
Internet		1,905
	<u>\$</u>	<u>22,961</u>

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Directors
Crockett County Emergency Communications District
Alamo, Tennessee

We were engaged to audit, 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 Crockett County Emergency Communications District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Crockett County Emergency Communications District's basic financial statements and have issued our report thereon dated September 30, 2015. Our report disclaims an opinion on such financial statements because of lack of documentation on disbursements, budget amendments, and minutes of the Board.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of Crockett County Emergency Communications District, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and recommendations to be a material weaknesses: 2014-001, 2013-001 and 1998-001.

A Significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with

governance. We consider the deficiency 2001-003 described in the accompanying schedule of findings and recommendations to be a significant deficiency.

Compliance and Other Matters

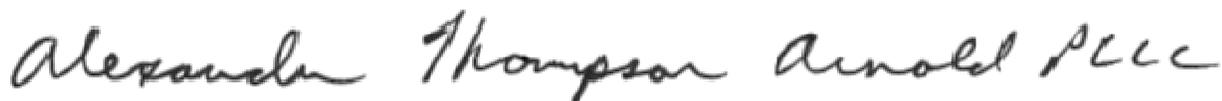
In connection with our engagement to audit the financial statements of Crockett County Emergency Communications District, We performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and recommendations as items 2014-001 and 2001-003. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

District's Response to Findings

Crockett County Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Alexander Thompson Arnold PLLC".

Jackson, Tennessee
September 30, 2015

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

June 30, 2014

Current Year Findings

2014-001 Incomplete Records (Material Weakness and Compliance)

Condition: Records supporting expenses for the year ended June 30, 2014 had been misplaced by the district's personnel and minutes for board meetings during the year after January 27, 2014 were unavailable.

Criteria: The Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts requires adequate books and records be maintained to support the transactions and financial statements of a district. Paid invoices, approved time records and complete minutes of the meetings of the board are a required part of the records of a district.

Effect: Incomplete records result in lack of support for reported activity in the financial statements as well as expose the district to possible misappropriation.

Recommendation: We recommend that District management make the required changes to insure that complete financial records are maintained

Response: We concur.

2013-001 Cash Shortages and Theft (Material Weakness)

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

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

Effect: The incident resulted in theft in the amounts as follows; theft amount prior to July 1, 2013 totaled \$79,709. Subsequent to June 30, 2013 and during the period July 1, 2013 through August 2013 there was an additional \$9,055 for a total theft of \$88,764.

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

Response: Litigation and sentencing are pending against the bookkeeper in relation to the theft. In addition, the payroll tax deposits related to the theft are being requested to

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

June 30, 2014

be refunded via amendment of payroll tax returns. The District is exploring options to correct the controls that failed allowing this incident to take place.

1998-001 Segregation of Duties (Material Weakness)

Condition: Due to the size of the staff, the Crockett County Emergency Communications District could not fully segregate the record-keeping, custodial and authorization functions of its internal accounting controls for the year ended June 30, 2014.

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

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

Recommendation: While auditors recognize that staff size, due to funding limitations, is not adequate to fully segregate the functions mentioned above, management needs to be aware that this limitation of internal accounting controls does exist in the District. To strengthen controls a board member should receive all bank statements unopened and should review and approve the bank statement prior to reconciliation by the District staff. Evidence of this review should be documented by the board member initialing and dating every page of the bank statement. In addition, a board member should review the actual bank reconciliation.

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

2001-003 Budget Amendments (Compliance and Other Matters)

Condition: During the year ended June 30, 2014, nineteen line items of expenditures exceeded their budgeted amounts. See page

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

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

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

CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2014

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

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**
June 30, 2014

Prior Year Findings

- 2013-001** Cash shortages and theft – Repeated
- 1998-001** Segregation of Duties - Repeated.
- 2001-003** Budget Exceeded - Repeated.