

**CITY OF CLINTON  
EMERGENCY COMMUNICATIONS DISTRICT  
(A Component Unit of City of Clinton, Tennessee)**

**Clinton, Tennessee**

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Years Ended  
June 30, 2015 and 2014**

**CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT  
Clinton, Tennessee**

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For the Fiscal Years Ended  
June 30, 2015 and 2014**

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## **INTRODUCTORY SECTION**

**CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT  
Clinton, Tennessee**

**Board of Directors**

**June 30, 2015**

**Archie Brummitt, Chairman**

**Richard Scarbrough, Vice-Chairman**

**William Riggs, Secretary/Treasurer**

**Mark Alderson, Board Member**

**Randy Page, Board Member**

**Joe Roberts, Board Member**

**Jim Sanderson, Board Member**

## **FINANCIAL SECTION**

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315 NORTH CEDAR BLUFF ROAD – SUITE  
KNOXVILLE, TENNESSEE 37923  
TELEPHONE 865-769-0660



**OAK RIDGE OFFICE:**  
800 OAK RIDGE TURNPIKE – SUITE A404  
OAK RIDGE, TENNESSEE 37830  
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PUGH & COMPANY, P.C.  
www.pughcpas.com

## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management of  
The City of Clinton Emergency Communications District  
Clinton, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the City of Clinton Emergency Communications District (the "District"), a discretely presented component unit of the City of Clinton, Tennessee, which comprise the balance sheets as of June 30, 2015 and 2014 and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

### 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2015 and 2014 and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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 as a whole. The introductory and supplementary information sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
January 5, 2016

# CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

125 W. Broad Street  
Clinton, Tennessee 37716  
(865) 457-3112

## Management's Discussion and Analysis

The management of the City of Clinton Emergency Communications District (the District), has provided this narrative overview and analysis of the financial activities of the District for the fiscal years ended June 30, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with the information provided in the financial statements, notes to financial statements, and supplementary information when reviewing the District's financial activities and condition.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's financial statements consist of Balance Sheets, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows and notes to the financial statements. This report also contains other supplementary information in addition to the financial statements.

**Financial statements.** The Balance Sheets present information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs (full accrual accounting), regardless of the timing of the 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 (i.e., accounts payable are expensed when incurred but paid at a later date).

The Statements of Cash Flows present information on the actual cash inflows and outflows resulting from the various operating, financing, capital, and investing activities of the District for the fiscal year.

The District's financial statements can be found on pages 7 through 9 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The notes to the financial statements can be found on pages 10 through 16 of this report.

**Other information.** In addition to the financial statements and accompanying notes, this report also presents certain supplementary information concerning the District. This supplementary information can be found on pages 17 and 18 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Financial Highlights**

- The assets of the District exceeded its liabilities (net position) at June 30, 2015 by \$646,088 and at June 30, 2014 by \$580,687. Of this amount \$567,688 or 87.9% is reported as unrestricted at June 30, 2015 and \$486,520 or 83.8% at June 30, 2014. The unrestricted net assets may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$65,401 during fiscal year 2015 and by \$51,931 during fiscal year 2014. These increases are primarily the result of grants received during fiscal year 2015 and increased operating funds during fiscal year 2014 from the State of Tennessee Emergency Communication Board.

**Net Position**

Net position may serve over time as a useful indicator of a fund's financial position. In the case of the District, assets exceeded liabilities by \$646,088 at the close of the most recent fiscal year.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Balance Sheets</u>			
Current assets	\$ 568,674	\$ 489,845	\$ 534,948
Capital assets - net	78,400	94,167	65,545
Total assets	<u>\$ 647,074</u>	<u>\$ 584,012</u>	<u>\$ 600,493</u>
Current liabilities	\$ 986	\$ 3,325	\$ 71,737
Net position:			
Investment in capital assets	78,400	94,167	65,545
Unrestricted	<u>567,688</u>	<u>486,520</u>	<u>463,211</u>
Total net position	<u>646,088</u>	<u>580,687</u>	<u>528,756</u>
Total liabilities and net position	<u>\$ 647,074</u>	<u>\$ 584,012</u>	<u>\$ 600,493</u>
<u>Statements of Revenues, Expenses and Changes in Net Position</u>			
Operating revenues	\$ 182,720	\$ 245,155	\$ 277,324
Operating expenses	<u>161,194</u>	<u>155,286</u>	<u>121,881</u>
Operating income (loss)	21,526	89,869	155,443
Non-operating revenues (expenses) - net	<u>43,875</u>	<u>(37,938)</u>	<u>47,056</u>
Change in net position	65,401	51,931	202,499
Beginning net position	<u>580,687</u>	<u>528,756</u>	<u>326,257</u>
Ending net position	<u>\$ 646,088</u>	<u>\$ 580,687</u>	<u>\$ 528,756</u>

A portion of the District's net position reflects its investment in capital assets (i.e., equipment, furniture and fixtures), less accumulated depreciation. This portion of the District's net position amounts to \$78,400 or 12.1% of total net position at June 30, 2015 and \$94,167 or 16.2% of total net position at June 30, 2014. The District uses these capital assets to provide emergency 911 services to citizens of the City of Clinton. Accordingly, these assets are not available for future spending.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Capital Assets**

At the fiscal year end of June 30, 2015, the District had \$78,400 invested in capital assets as outlined below (a \$15,767 or 16.7% decrease over the last year).

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Building improvements	\$ 41,163	\$ 41,163	\$ 30,275
Communication equipment	378,686	377,461	364,104
Furniture and fixtures	7,281	2,310	1,155
Office equipment	12,999	12,999	20,614
	<u>440,129</u>	<u>433,933</u>	<u>416,148</u>
Less accumulated depreciation	<u>(361,729)</u>	<u>(339,766)</u>	<u>(350,603)</u>
	<u>\$ 78,400</u>	<u>\$ 94,167</u>	<u>\$ 65,545</u>

Additional information on the District's capital assets can be found in Note IV on pages 14 and 15 of this report.

**Debt**

At the fiscal year end, the District had no outstanding bonds payable, notes payable or capital lease obligations outstanding.

**Economic Factors and Next Year's Budget**

During the upcoming fiscal year, the District does not anticipate any significant changes to its operational revenues or expenses for fiscal year 2016. No major purchases of equipment are planned.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens with a general view of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

Archie Brummitt, Chairman of the Board  
City of Clinton Emergency Communications District  
125 W. Broad Street  
Clinton, Tennessee 37716

Phone: 865.457.3112

**CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT**  
**Clinton, Tennessee**

**BALANCE SHEETS**  
**June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 228,433	\$ 130,944
Accounts receivable	0	3,557
Due from State of Tennessee	340,241	355,344
Total current assets	568,674	489,845
Noncurrent assets:		
Capital assets, net	78,400	94,167
Total assets	\$ 647,074	\$ 584,012
<b>Liabilities and Net Position</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 986	\$ 831
Due to Primary Government	0	2,494
Total liabilities	986	3,325
Net position:		
Investment in capital assets	78,400	94,167
Unrestricted	567,688	486,520
Total net position	646,088	580,687
Total liabilities and net position	\$ 647,074	\$ 584,012

See the accompanying notes to the financial statements.

**CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT**  
**Clinton, Tennessee**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Operating Revenues</b>		
Emergency telephone service charges	\$ 20,331	\$ 42,929
TECB - Wireless fees	9,218	25,207
TECB - Operational funding program	111,777	124,182
TECB - Other funding	41,394	52,837
Total operating revenues	182,720	245,155
<b>Operating Expenses</b>		
Salaries and wages	75,000	75,000
Contracted services	30,161	12,860
Supplies and materials	6,034	17,111
Other charges	28,036	27,085
Depreciation	21,963	23,230
Total operating expenses	161,194	155,286
<b>Operating Income (Loss)</b>	21,526	89,869
<b>Nonoperating Revenues (Expenses)</b>		
TECB - Grants and reimbursements	43,838	433,264
Interest income	37	852
Loss on disposal of assets	0	(397,054)
Capital contribution to primary government	0	(75,000)
Total non-operating revenues (expenses) - net	43,875	(37,938)
<b>Change in Net Position</b>	65,401	51,931
<b>Net position, beginning of year</b>	580,687	528,756
<b>Net position, end of year</b>	\$ 646,088	\$ 580,687

See the accompanying notes to the financial statements.

**CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT**  
**Clinton, Tennessee**

**STATEMENTS OF CASH FLOWS**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Cash received from service fees and operational funding	\$ 245,217	\$ 249,089
Cash paid for payroll, taxes, and related benefits	(75,000)	(125,000)
Cash paid to suppliers for goods and services	(65,633)	(58,376)
Net cash provided by operating activities	104,584	65,713
<b>Cash flows from capital and related financing activities</b>		
TECB - Grants and reimbursements	0	149,157
Acquisition of equipment	(7,132)	(469,011)
Capital contribution to primary government	0	(75,000)
Net cash provided used in capital and related financing activities	(7,132)	(394,854)
<b>Cash flows from investing activities</b>		
Interest received	37	852
Net increase (decrease) in cash and cash equivalents	97,489	(328,289)
Cash and cash equivalents, beginning of year	130,944	459,233
Cash and cash equivalents, end of year	\$ 228,433	\$ 130,944
<b>Reconciliation of operating loss to net cash provided by operating activities</b>		
Operating income (loss)	\$ 21,526	\$ 89,869
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	21,963	23,230
Decrease in accounts receivable	3,557	1,062
(Increase) Decrease in due from State of Tennessee	58,941	(141)
Increase (Decrease) in accounts payable	778	208
Increase (Decrease) in due to primary government	(2,181)	(48,515)
Total adjustments	83,058	(24,156)
Net cash provided by operating activities	\$ 104,584	\$ 65,713
<b>Noncash investing, capital and related financing activities</b>		
Accrued liabilities for equipment purchases	\$ 0	\$ 936
Contributions of capital assets to the Primary Government (City)	0	(397,003)

See the accompanying notes to the financial statements.

**CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT**  
**Clinton, Tennessee**

**Notes to the Financial Statements**  
**June 30, 2015 and 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Clinton Emergency Communications District (the District) have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies of the District:

(A) Reporting Entity

The District has established and operates a 911 service for the residents of the City of Clinton, Tennessee which receives telephone requests for emergency services and provides for the dispatch of appropriate emergency service units.

The District is considered a component unit of the City of Clinton, Tennessee and is discretely presented in the City of Clinton Annual Financial Report. The District is governed by a seven-member Board of Directors (the Board). The Board is appointed by the City of Clinton Council and any debt issuances require the Council's approval.

(B) Basis of Accounting

The financial statements of the District are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and measurable. Expenses are recorded at the time the liability is incurred.

The District's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities in accordance with special regulations, restrictions or limitations. The District is maintained as a proprietary fund. Proprietary funds are used to account for business-type activities which are activities financed in whole or in part by fees charged to external parties for goods or services.

Additionally, proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are user fees for landline and wireless telephone customers. Operating expenses for proprietary funds include the cost of sales and services such as salaries and wages, contracted services, supplies and materials, other charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

(C) Assets, Liabilities, and Net Position

1. Deposits and Investments

Cash and cash equivalents include demand deposits and short-term investments with original maturities of three months or less from the acquisition date. Investments are stated at fair value, which approximates cost. Currently, no investments are held in the District's name.

2. Receivables and Payables

All trade and subsidy receivables and payables are recognized when incurred and recorded at full value. Any receivable amounts later determined to be uncollectible are written off when that determination is made. Any necessary allowance for doubtful accounts would not be material.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items when paid, and expensed in the applicable future accounting period.

4. Capital Assets

Capital assets, which include furniture and fixtures, equipment, and building improvements, are defined as assets with a life greater than one year and initial individual cost of \$1,000 or greater. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful life for all assets is as follows:

Office furniture and fixtures	10 years
Equipment	10 years
Vehicles	5 years
Buildings and improvements	20 years
Leasehold improvements	20 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

6. Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: investment in capital assets, restricted, and unrestricted. Investment in capital assets includes all capital assets, net of accumulated depreciation. Investment in capital assets has been calculated as follows:

	<u>2015</u>	<u>2014</u>
Capital assets	\$ 440,129	\$ 433,933
Accumulated depreciation	<u>(361,729)</u>	<u>(339,766)</u>
	<u>\$ 78,400</u>	<u>\$ 94,167</u>

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

(D) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

(E) Revenue Recognition

The 911 Funding Modernization and IP Transition Act of 2014 became effective on January 1, 2015. This Act restructured the method of distribution for 911 surcharges. As of January 1, 2015, all 911 surcharges are paid to the State of Tennessee Emergency Communications Board (TECB). The TECB established a base funding amount for each emergency communications district. The base amount for the District is \$223,554. No additional funding for operational purposes will be provided. These revenues are recognized by the District in the period the funding is distributed by the TECB.

Prior to January 1, 2015, emergency telephone service charge revenues were recognized in the period in which the monthly fees were billed by the service supplier to the subscribers. Any subscriber accounts subsequently determined to be uncollectible were charged against revenues at that time. In management's opinion, such reporting did not materially affect the financial statements.

Prior to January 1, 2015, wireless fees were collected and remitted to the District through the State of Tennessee Emergency Communications Board (TECB). Shared wireless revenues were recognized by the District in the period the surcharge was assessed by the service provider.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**II. BUDGETARY INFORMATION**

As required by statutes of the State of Tennessee, the District adopts an annual operating budget. The budget proposal is prepared by the Board Chairman and approved by the Board. The Board maintains the legal level of control at the line item level. The budget is prepared on the accrual basis of accounting. Appropriations lapse at the close of the fiscal year to the extent that they have not been transferred or encumbered.

**III. DEMAND DEPOSITS AND INVESTMENTS**

State statutes authorize the District to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the State of Tennessee Local Government Investment Pool.

*Tennessee Code Annotated* (TCA) §9-1-107 requires the District to secure deposits by having banks pledge governmental securities as collateral. The state statute requires collateral whose market value is equal to 105% of the deposit, less the amount protected by the Federal Deposit Insurance Corporation (FDIC). In lieu of pledged collateral, the bank may participate in the bank collateral pool as administered by the Tennessee State Treasurer. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. Members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be entirely insured or collateralized.

At June 30, 2015 and 2014, all of the District's deposits were either insured by federal depository insurance or guaranteed by bank participation in the Tennessee Bank Collateral Pool. Investment policies of the District follow state law as described above.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**IV. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Capital assets being depreciated:				
Building improvements	\$ 41,163	\$ 0	\$ 0	\$ 41,163
Furniture and fixtures	2,310	4,971	0	7,281
Communication equipment	377,461	1,225	0	378,686
Office equipment	12,999	0	0	12,999
Total capital assets being depreciated	<u>433,933</u>	<u>6,196</u>	<u>0</u>	<u>440,129</u>
Accumulated depreciation:				
Building improvements	30,294	658	0	30,952
Furniture and fixtures	443	1,373	0	1,816
Communication equipment	298,159	19,397	0	317,556
Office equipment	10,870	535	0	11,405
Total accumulated depreciation	<u>339,766</u>	<u>21,963</u>	<u>0</u>	<u>361,729</u>
Total capital assets, net	<u>\$ 94,167</u>	<u>\$ (15,767)</u>	<u>\$ 0</u>	<u>\$ 78,400</u>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Capital assets being depreciated:				
Building improvements	\$ 30,275	\$ 10,888	\$ 0	\$ 41,163
Furniture and fixtures	1,155	1,155	0	2,310
Communication equipment	364,104	467,525	454,168	377,461
Office equipment	20,614	0	7,615	12,999
	<u>416,148</u>	<u>479,568</u>	<u>461,783</u>	<u>433,933</u>
Total capital assets being depreciated				
Accumulated depreciation:				
Building improvements	30,275	19	0	30,294
Furniture and fixtures	0	443	0	443
Communication equipment	302,763	21,899	26,503	298,159
Office equipment	17,565	870	7,565	10,870
	<u>350,603</u>	<u>23,231</u>	<u>34,068</u>	<u>339,766</u>
Total accumulated depreciation				
Total capital assets, net	<u>\$ 65,545</u>	<u>\$ 456,337</u>	<u>\$ 427,715</u>	<u>\$ 94,167</u>

During fiscal year 2014, the District transferred communications equipment with a net book value of \$397,003 to the Primary Government (City) for public safety and emergency communications purposes. This transfer was approved by the District's Board of Directors.

**V. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District maintains general liability insurance through a public entity risk pool operated by the Tennessee Municipal League (TML). This pool is sustained by member premiums, and because the TML pool has excess aggregate and individual claim loss insurance coverage, management considers any related risk to be insignificant. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**VI. REIMBURSED EXPENSES**

The E-911 dispatchers are employees of the City of Clinton. All salaries, payroll taxes, retirement, and other fringe benefit costs of the E-911 dispatchers are paid directly by the City of Clinton (primary government) through its General Fund. The District has agreed to reimburse the City of Clinton for a portion of these costs, as determined on an annual basis. The amount reimbursed for fiscal year 2015 and 2014 was \$75,000 and \$75,000 respectively.

## **SUPPLEMENTARY INFORMATION**

**CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT**  
**Clinton, Tennessee**

**SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL**  
**For the Fiscal Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Operating Revenues</b>				
Emergency telephone service charges	\$ 45,000	\$ 20,300	\$ 20,331	\$ 31
TECB - Wireless fees	24,000	9,200	9,218	18
TECB - Operational Funding Program	0	0	111,777	111,777
TECB - Other funding	132,000	152,000	41,394	(110,606)
Total operating revenues	<u>201,000</u>	<u>181,500</u>	<u>182,720</u>	<u>1,220</u>
<b>Operating Expenses</b>				
Salaries and wages	75,000	75,000	75,000	0
Contracted services:				
Audit services	5,500	5,500	5,500	0
Maintenance agreements	500	9,500	4,860	4,640
NCIC/TBI/TIES expenses	8,000	8,000	8,000	0
Maintenance and repairs-equipment	6,500	16,500	10,522	5,978
Maintenance and repairs-buildings	500	2,500	1,279	1,221
Supplies and materials:				
Office supplies	1,000	3,500	1,941	1,559
Postage	30	30	13	17
Uniforms	2,500	4,500	2,851	1,649
Small equipment purchases	0	1,000	1,229	(229)
Other charges:				
Operating lease-communication equipment	10,500	11,500	10,188	1,312
Operating lease-facilities	3,650	3,650	3,650	0
Utilities-electric	500	500	369	131
Utilities-telephone	1,600	1,600	1,476	124
Utilities-cellular phones	500	500	240	260
Utilities-internet	800	1,100	1,079	21
Bank charges	0	1,000	908	92
Subscriptions and periodicals	100	100	0	100
Dues and memberships	100	100	100	0
Insurance-liability	600	600	583	17
Insurance-equipment	900	2,300	2,258	42
Legal notices	50	50	47	3
Premiums on surety bonds	2,000	2,000	1,673	327
Training	6,000	6,000	610	5,390
Emergency notification contract	4,855	4,855	4,855	0
Depreciation	70,000	22,000	21,963	37
Total operating expenses	<u>201,685</u>	<u>183,885</u>	<u>161,194</u>	<u>22,691</u>
<b>Operating Income (Loss)</b>	<u>(685)</u>	<u>(2,385)</u>	<u>21,526</u>	<u>23,911</u>
<b>Non-operating Revenues (Expenses)</b>				
TECB - Grants and reimbursements	0	33,900	43,838	9,938
Interest income	900	40	37	(3)
Total non-operating revenues (expenses)	<u>900</u>	<u>33,940</u>	<u>43,875</u>	<u>9,935</u>
<b>Change in Net Position</b>	<u>\$ 215</u>	<u>\$ 31,555</u>	<u>\$ 65,401</u>	<u>\$ 33,846</u>

**CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT  
Clinton, Tennessee**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
For the Fiscal Year Ended June 30, 2015**

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>State Financial Assistance</u>		
Tennessee Department of Commerce and Insurance - TECB Equipment funding	N/A	\$ <u>9,860</u>

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

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PUGH & COMPANY, P.C.  
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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 and Management of  
The City of Clinton Emergency Communications District  
Clinton, 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 City of Clinton Emergency Communications District, a discretely presented component unit of the City of Clinton, Tennessee, which comprise the balance sheets as of June 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated January 5, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Clinton Emergency Communications District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clinton Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Clinton 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Clinton Emergency Communications District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
January 5, 2016

