

AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

**EMERGENCY COMMUNICATIONS  
DISTRICT OF BEDFORD COUNTY**  
(a component unit of Bedford County, Tennessee)

Shelbyville, Tennessee  
June 30, 2015

**WINNETT**  
*Associates, PLLC*

Certified Public Accountants and Consultants

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**ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT OFFICIALS**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
(a component unit of Bedford County, Tennessee)

June 30, 2015

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BOARD OF DIRECTORS:

Curt Cobb - Chairman

Chris White - Vice Chairman

Scott Johnson - Secretary - Treasurer

Mark Thomas

Tony Barrett

Roger Hawks

Philip Gentry

Mickey Casson

Joey Story

MANAGEMENT OFFICIALS:

Phillip Noel - Director

# EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

(a component unit of Bedford County, Tennessee)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2015

As management of the Emergency 911 Communications District of Bedford County (hereinafter referred to as the *District*), we offer readers of the *District's* financial statements this narrative overview and analysis of the *District's* performance during the fiscal year ending June 30, 2015. Please read this discussion in conjunction with the *District's* financial statements, which follow this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes the management's discussion and analysis report, the independent auditor's report and the basic financial statements.

### **REQUIRED FINANCIAL STATEMENTS**

The financial statements of the *District* report information of the *District* using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities. The Statement of Net Position includes all of the *District's* assets and liabilities and provides information about where the *District* has invested its resources (assets) and the obligations to the *District's* creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the *District's* operations over the past year and can be used to determine whether the *District* has successfully recovered all of its operating costs through the receipt of its pro-rata share of surcharges and fees.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where cash comes from, what was cash used for, and what was the change in the cash balance during the reporting period.

### **FINANCIAL ANALYSIS OF THE DISTRICT**

One of the most important questions asked about the *District's* finances is, "Is the District better off financially or has its condition worsened as a result of this 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 statements report the net position of the *District* and the changes in them. One can think of the *District's* net position-the difference between assets and liabilities-as one way to measure financial health and financial position. Over time, increases and decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. A summary of the *District's* net position and changes in them is presented on the following page

## **Condensed Statement of Net Position**

	June 30,	(Restated) June 30,	
	2015	2014	<i>Differences</i>
Current and other assets	\$ 1,551,304	\$ 717,710	\$ 833,594
Capital assets	<u>472,453</u>	<u>606,313</u>	<u>(133,860)</u>
Total assets	<u>2,023,757</u>	<u>1,324,023</u>	<u>699,734</u>
Total deferred outflows of resources	<u>19,493</u>	<u>13,383</u>	<u>6,110</u>
Long-term liabilities outstanding	-	-	-
Current liabilities	<u>53,337</u>	<u>47,584</u>	<u>5,753</u>
Total liabilities	<u>53,337</u>	<u>47,584</u>	<u>5,753</u>
Total deferred inflows of resources	<u>61,734</u>	-	<u>61,734</u>
Net position:			
Net investment in capital assets	472,453	606,313	(133,860)
Unrestricted	<u>1,455,726</u>	<u>683,509</u>	<u>772,217</u>
Total net position	<u>\$ 1,928,179</u>	<u>\$ 1,289,822</u>	<u>\$ 638,357</u>

## **Condensed Statement of Revenues, Expenses and Changes in Net Position**

	June 30,	(Restated) June 30,	
	2015	2014	<i>Differences</i>
<b><u>Revenues:</u></b>			
Operating revenues	\$ 560,505	\$ 530,265	\$ 30,240
Nonoperating revenues	<u>994,582</u>	<u>474,366</u>	<u>520,216</u>
Total revenues	<u>1,555,087</u>	<u>1,004,631</u>	<u>550,456</u>
<b><u>Expenses:</u></b>			
Depreciation expense	123,040	124,134	(1,094)
Other operating expense	791,629	832,982	(41,353)
Nonoperating expense	<u>2,061</u>	-	<u>2,061</u>
Total expenses	<u>916,730</u>	<u>957,116</u>	<u>(40,386)</u>
Change in net position	638,357	47,515	590,842
Beginning net position	<u>1,289,822</u>	<u>1,242,305</u>	<u>47,517</u>
Ending net position	<u>\$ 1,928,179</u>	<u>\$ 1,289,822</u>	<u>\$ 638,357</u>

### **ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION**

As can be seen from the above summarized financial information, the *District's* net position increased approximately \$638,357 during the year ended June 30, 2015. There was an increase in revenue of \$520,456 and total expenses decreased by \$40,386.

### **THE DISTRICT'S NET POSITION**

The *District* completed the year with net position of \$1,928,179 which is approximately \$638,357 more than the prior year's ending net position of \$1,289,822.

## **BUDGETARY HIGHLIGHTS**

The *District* adopts an annual operating budget which includes proposed expenses and the means for paying these expenses. As conditions change during the year the budget may be amended to prevent budget overruns.

Income received from the collections of residential phone lines was \$86,662 more than the budgeted income. State shared wireless income and income from private carriers due to cell phone use was \$11,235 more than budget. Shared wireless charges are fees that are difficult to estimate.

Additionally, the *District* is still engaged with other 911 Districts across the State of Tennessee in a class-action suit against AT&T to determine if AT&T has intentionally misreported its number of land lines, specifically in the proliferation of high-speed T-1 lines and fiber optic products which allow for dozens of telephone numbers per line.

## **CAPITAL ASSETS**

The *District's* investment in capital assets amounts to \$1,278,345 with accumulated depreciation of \$805,892. Capital assets include the capital leases, communication equipment, building improvements, and communication software upgrades.

## **LONG-TERM LIABILITIES**

The *District* had \$0 in long-term debt obligations outstanding as of June 30, 2015.

## **ECONOMIC FACTORS AND FUTURE NEEDS**

Prior to January 1, 2015, 911 surcharge revenue had been declining across the state on a consistent basis. The reason for this was the compensation model relied heavily on dollars generated from landline, residential and business, at \$1.50 and \$3.00, respectively. 100% of these funds were returned to the District from which they originated but the number of these revenue-generating landlines still in use were decreasing steadily and rapidly. Additionally, wireless devices and voice-over internet protocol (VOIP) lines carried a surcharge of \$1.00 per device but only \$0.25 came directly back to the District. The remaining portion was diverted to the Tennessee Emergency Communications Board (TECB) with funds being returned to the Districts, incrementally, in an unpredictable and inconsistent manner.

On January 1, 2015 a new, uniform, 911 surcharge rate went into effect for all residents of Tennessee. This new surcharge of \$1.16 applies to all landline, wireless and VOIP devices. Previously, all landline carriers remitted revenue directly to the District. Now, all revenue goes directly to the TECB and then remitted in one lump sum bi-monthly. Districts now receive monies based on average revenue realized during FY's 2010, 2011 and 2012. This amount is guaranteed by statute that was enacted during the 2014 state legislative session. The amount that each District now receives is approximately 80% of *total* collections.

Each District's share, known as the *base amount*, will be unchanged. However, Districts are also guaranteed 50% of any excess revenue, relative to the base amount, remitted to the TECB. The remaining 50% of any excess will stay at the TECB to be utilized for operating expenses.

Efforts are underway to enhance the efficiency of revenue collections and relieve the TECB of this burden. While moving the collection function to the Tennessee Department of Revenue is being explored and encouraged, any change to this process will also have to be enacted through legislation. If the Tennessee Department of Revenue becomes the agent, it is expected that a future revenue and rates analysis may justify an increase in the current rate of \$1.16. This is unlikely to occur in the next 3 years. Thus, current revenue levels are expected to remain constant until such time the legislature obtains data that dictates otherwise.

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Emergency Communications District of Bedford County  
Shelbyville, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Emergency Communications District of Bedford County, a component unit of Bedford County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Emergency Communications District of Bedford County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinion***

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

## ***Emphasis of Matter***

As discussed in Note H to the financial statements, the Emergency Communications District of Bedford County adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

## ***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 7 and the pension information appearing on pages 24 and 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Emergency Communications District of Bedford County's basic financial statements. The introductory section and the supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015, on our consideration of Emergency Communications District of Bedford County's internal control over financial reporting and on our tests of its compliance with certain provision 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 Emergency Communications District of Bedford County's internal control over financial reporting and compliance.

*Winnett Associates, PLLC*

Shelbyville, Tennessee  
October 21, 2015

**STATEMENT OF NET POSITION**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
(a component unit of Bedford County, Tennessee)

June 30, 2015

ASSETS

CURRENT ASSETS

Cash	\$ 1,374,834
Due from primary government	24,164
Prepaid expenses	33,267
<b>TOTAL CURRENT ASSETS</b>	<b>1,432,265</b>

CAPITAL ASSETS

Building and improvements	227,717
Furniture and fixtures	90,188
Office equipment	47,185
Communications equipment	744,084
Vehicles	45,150
Intangibles	29,152
Other capital assets	94,869
	<u>1,278,345</u>
Less: accumulated depreciation	805,892
<b>TOTAL CAPITAL ASSETS, NET</b>	<b>472,453</b>

OTHER ASSETS

Net pension asset	118,939
Security deposits	100
<b>TOTAL OTHER ASSETS</b>	<b>119,039</b>

**TOTAL ASSETS** 2,023,757

DEFERRED OUTFLOWS OF RESOURCES

Pension other deferral	19,493
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>19,493</b>

CURRENT LIABILITIES

Accounts payable	14,600
Compensated absences payable	23,262
Payroll deductions payable	3,774
Accrued payroll	11,701
<b>TOTAL CURRENT LIABILITIES</b>	<b>53,337</b>

DEFERRED INFLOWS OF RESOURCES

Pension changes in experience	16,724
Pension changes in investment earnings	45,010
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>61,734</b>

NET POSITION

Investment in capital assets	472,453
Unrestricted	1,455,726
<b>TOTAL NET POSITION</b>	<b>\$ 1,928,179</b>

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
(a component unit of Bedford County, Tennessee)

Year ended June 30, 2015

OPERATING REVENUES

Emergency telephone service charge	\$	419,441
Tennessee Emergency Communications Board-shared wireless charge		42,204
Tennessee Emergency Communications Board-operational funding		83,607
Pension income		12,463
Other operating revenues		2,790
<b>TOTAL OPERATING REVENUES</b>		<b>560,505</b>

OPERATING EXPENSES

Salaries and Wages:

Director		52,623
Administrative personnel		33,612
Dispatchers		266,834
Overtime		50,903
Other salaries and wages		30,809
<b>Total Salaries and Wages</b>		<b>434,781</b>

Employee Benefits:

Social security		25,920
Medicare		6,062
Life insurance		612
Medical insurance		41,979
Unemployment compensation		1,730
<b>Total Employee Benefits</b>		<b>76,303</b>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)

EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

(a component unit of Bedford County, Tennessee)

Year ended June 30, 2015

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Contracted Services:

Addressing/Mapping expenses	\$	7,390
Advertising		177
Audit services		7,500
Administrative fees-service charges		3,103
Fees paid to service providers		110,536
Legal services		10,200
Maintenance agreements		33,032
NCIC/TBI/TIES expenses		6,000
Pest control		1,013
Lease/rental-furniture and fixtures		5,916
Maintenance and repairs-communications equipment		14,263
Maintenance and repairs-buildings and facilities		6,927
Maintenance and repairs-office equipment		450
Maintenance and repairs-vehicles		90
Fuel-vehicles		623
		<hr/>
Total Contracted Services		207,220

Supplies and Materials:

Office supplies		337
Custodial supplies		1,303
Postage		407
Small equipment		6,833
Uniforms and shirts		4,867
Utilities-electric		14,911
Utilities-gas		1,541
Utilities-general telephone		13,972
Utilities-cell phone and pagers		3,213
		<hr/>
Total Supplies and Materials		47,384

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)**

**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**

(a component unit of Bedford County, Tennessee)

Year ended June 30, 2015

Other Charges:		
Board meeting expenses		\$ 1,030
Dues and memberships		1,967
Employee testing and exams		555
Insurance-workers compensation		3,177
Insurance-buildings and contents		7,027
Insurance-vehicles		1,076
Legal notices		298
Premiums on surety bonds		233
Public education		468
Training expenses		5,417
Travel expenses		3,361
Internet charges		<u>1,332</u>
	Total Other Charges	25,941
Depreciation Expense		<u>123,040</u>
	TOTAL OPERATING EXPENSES	<u>914,669</u>
	OPERATING INCOME (LOSS)	<u>(354,164)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income		1,598
Tennessee Emergency Communications Board-grants and reimbursements		552,229
Contributions from primary government		409,583
Miscellaneous income		22,392
Loss on disposal of property		(2,061)
Impairment gain		<u>8,780</u>
	TOTAL NONOPERATING REVENUES (EXPENSES)	<u>992,521</u>
	CHANGE IN NET POSITION	638,357
	NET POSITION - BEGINNING OF PERIOD, AS RESTATED	<u>1,289,822</u>
	NET POSITION - END OF PERIOD	<u>\$ 1,928,179</u>

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF CASH FLOWS**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
(a component unit of Bedford County, Tennessee)  
Year ended June 30, 2015

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from surcharges and other revenues	\$	587,855
Cash payments to suppliers for goods and services		(286,236)
Cash payments for payroll, taxes, and related benefits		(528,648)
Miscellaneous receipts - judgment		22,392
<b>NET CASH USED BY OPERATING ACTIVITIES</b>		<u>(204,637)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Contributions from primary government		422,321
Grants and reimbursements		552,229
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>		<u>974,550</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds received from insurance claim		17,540
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		<u>17,540</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest income		1,598
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		<u>1,598</u>
	<b>NET INCREASE IN CASH</b>	<u>789,051</u>
	<b>CASH, JULY 1, 2014</b>	<u>585,783</u>
	<b>CASH, JUNE 30, 2015</b>	<u><u>\$ 1,374,834</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</b>		
<b>CASH USED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$	(354,164)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities -		
Depreciation		123,040
Miscellaneous receipts - judgment		22,392
Change in assets, deferred outflows, liabilities, and deferred inflows:		
Accounts receivable - fees		20,280
Due from Tennessee Emergency Communications Board		19,532
Prepaid expenses		(9,514)
Net pension asset		(12,463)
Pension other deferrals		(19,493)
Accounts payable		7,831
Payroll deductions payable		686
Compensated absences payable		(4,007)
Accrued payroll		1,243
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$</b>	<u><u>(204,637)</u></u>
<b>CASH PAID DURING THE YEAR FOR INTEREST</b>	<b>\$</b>	<u><u>-</u></u>

The accompanying notes are an integral part of this financial statement.

**NOTES TO FINANCIAL STATEMENTS**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
**(a component unit of Bedford County, Tennessee)**  
**June 30, 2015**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

On May 15, 1984, the Tennessee state legislature approved the “Tennessee Emergency Communications District Law” (Acts 1984, ch. 867) which enables a county, upon approval by voters, to create a district to provide local emergency telephone service. Subsequently, in July 1987, the county legislative body of Bedford County, Tennessee approved the establishment of a district for their county, the Emergency Communications District of Bedford County (the “District”). As provided by the Act, the District operates as a governmental organization through the directives of a nine-member board of directors and provides enhanced 9-1-1 emergency telephone services for its service area. The directors serve without compensation for terms of three to four years.

Financial Reporting Entity – Component Unit

Legally, the District is a separate governmental entity that has considerable legal, financial and administrative autonomy. However, as the governing board is not elected but instead is entirely appointed by the Bedford County mayor and approved by the Bedford County commission, the District is considered a component unit of Bedford County.

Pursuant to Tennessee Code Annotated 7-86-114, before issuing negotiable bonds, the District must have approval of the legislative body of the county wherein the District is established. It also must have approval before making purchase contracts, lease agreements, and notes payable of over five years’ duration. In addition, the Bedford County commission has the ability to adjust the District’s service charges.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District does not have the authority to levy or collect taxes but is supported instead by the fees collected from telephone subscribers who benefit from the availability of its service. It recovers the cost of providing its services from its customers. Consequently, the District functions in a manner similar to a private business enterprise.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District’s assets, liabilities, net position, revenues and expenses. 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 entity's net position. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Operating revenues in proprietary fund types are those revenues generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
**(a component unit of Bedford County, Tennessee)**  
**June 30, 2015**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Law and Practice

The treasurer of the District files an annual budget with the mayor of Bedford County in accordance with the Tennessee Code Annotated, Title 7, Chapter 86, Part 1. In March of each year, the treasurer presents a preliminary budget to the board of directors. The budget is then discussed and amended as necessary for approval by the board.

The budget for operations is prepared on the cash receipts and disbursements basis by line item accounts. Revenues are budgeted in the year receipt is expected and disbursements are budgeted in the year that the disbursement is expected to occur. Capital asset purchases and capital lease payments are budgeted in total.

Capital Assets

Capital assets are stated at cost or estimated historical cost if actual cost is not available. Maintenance, repairs, and minor renewals are expensed while major renewals and betterments are capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of three years. When items of property are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included as nonoperating revenue or loss.

Depreciation is provided over estimated useful lives ranging from five to forty years using the straight-line method.

Use of Estimates

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

Cash Flow – Cash and Cash Equivalents

The District presents its cash flow statement using the direct method. For purposes of cash flow presentation, the District considers cash in operating bank accounts, cash on hand, and certificates of deposit with an original maturity of 90 days or less to be cash and cash equivalents. At June 30, 2015, the District did not hold any certificates of deposit.

Use of Facilities

The District conducts its operations in a building owned by Bedford County at no cost to the District. The measurement of the contribution from Bedford County is not considered significant for disclosure as in-kind support and expense in the accompanying statements of revenue, expenses, and changes in net position.

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
**(a component unit of Bedford County, Tennessee)**  
**June 30, 2015**

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position Flow Assumption

The District will on occasion 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 has one item that qualifies for reporting in this category resulting from contributions to the pension plan made subsequent to the measurement date of June 30, 2014. See note G for further information concerning deferred outflows related to the pension plan.

In addition to liabilities, the statement of financial 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 recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. These items are the difference between expected and actual experience in the calculation of the total pension liability and the difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized over five years. See note G for further information concerning deferred inflows related to the pension plan.

Pensions

For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense/income, information about the fiduciary net position of the District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

NOTE B - CASH AND CASH EQUIVALENTS

The District's investments must be made in accordance with Section 5-8-301, *Tennessee Code Annotated* which generally limits maturities to no greater than two years. The board of directors has not formally adopted deposit and investment policies that limit the District's allowable deposits or investments; however, during the year ended June 30, 2015, the board of directors chose to limit the investment of funds to deposits at banks.

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
(a component unit of Bedford County, Tennessee)  
**June 30, 2015**

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NOTE B - CASH AND CASH EQUIVALENTS (continued)

Cash - At June 30, 2015, the carrying amount of cash deposits was \$1,374,834 and the bank balance was \$1,378,148. At June 30, 2015, the entire bank balance was covered by federal depository insurance, or by collateral held in the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool (the Pool) is a multiple financial institution collateral pool to which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the members of the pool if the value of collateral is inadequate to cover a loss.

Cash is presented in the financial statements as follows:

<u>Cash Accounts</u>	<u>Interest Rate</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
First Bank checking	.15%	\$ 1,299,219	\$ 1,302,533
First Bank money market	.10%	<u>75,615</u>	<u>75,615</u>
		<u>\$ 1,374,834</u>	<u>\$ 1,378,148</u>

NOTE C - ACCOUNTS PAYABLE

Accounts payable include amounts due vendors in the amount of \$14,600 at June 30, 2015.

NOTE D - 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; injuries to employees; and natural disasters. The District obtains insurance coverage covering the above risks of loss through a public risk entity pool, Tennessee Risk Management Trust (TRMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The creation of the TRMT provides for it to be self-sustaining through member premiums. Settled claims have not exceeded the coverage in any of the past three fiscal years.

NOTE E - INTERLOCAL AGREEMENT

The District and Bedford County have entered into an agreement dated January 15, 2004. The agreement acknowledges the District's authority to manage communications at the central public safety answering point (PSAP) as well as to take steps considered necessary for the purpose of attaining financial self-sufficiency. Significant terms include the District's responsibility to pay all costs that relate to maintenance of the PSAP equipment, annual budgets of the District will only be approved after acceptance by the County, and provides that the employees of the District shall receive benefits generally provided to the employees of the County. Under the agreement the County must provide funding to the District equal to the net amount of money required to be paid to the District after contributions of the District and other funding sources have been applied. The agreement will automatically renew unless either party gives the other written notice subject to certain specifications set out in the agreement.

Though not required by the interlocal agreement, the County has agreed to provide funding to the District equal to the cost of the dispatchers salaries, including benefits. Contributions from the County totaled \$409,583 for the year ended June 30, 2015.

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
(a component unit of Bedford County, Tennessee)  
**June 30, 2015**

NOTE F - CAPITAL ASSETS

Capital assets are summarized as follows:

	June 30, <u>2014</u>	<u>Additions</u>	<u>Deletions</u>	June 30, <u>2015</u>
<u>Capital assets, being depreciated -</u>				
Building and improvements	\$ 242,481	\$ -	\$ (14,764)	\$ 227,717
Furniture and fixtures	90,188	-	-	90,188
Office equipment	48,722	-	(1,537)	47,185
Communications equipment	744,084	-	-	744,084
Vehicle	45,150	-	-	45,150
Intangibles	29,152	-	-	29,152
Other fixed assets	<u>109,564</u>	<u>-</u>	<u>(14,695)</u>	<u>94,869</u>
Subtotal	1,309,341	-	(30,996)	1,278,345
<u>Less accumulated depreciation -</u>				
Building and improvements	(31,663)	(11,857)	6,004	(37,516)
Furniture and fixtures	(60,770)	(8,538)	-	(69,308)
Office equipment	(37,548)	(5,157)	1,459	(41,246)
Communications equipment	(446,585)	(83,446)	-	(530,031)
Vehicle	(44,192)	(958)	-	(45,150)
Intangibles	(4,859)	(2,915)	-	(7,774)
Other fixed assets	<u>(77,411)</u>	<u>(10,169)</u>	<u>12,713</u>	<u>(74,867)</u>
Subtotal	<u>(703,028)</u>	<u>(123,040)</u>	<u>20,176</u>	<u>(805,892)</u>
Capital assets, being depreciated, net	<u>\$ 606,313</u>	<u>\$ (123,040)</u>	<u>\$ (10,820)</u>	<u>\$ 472,453</u>

NOTE G - GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan description

Employees of Bedford County, Bedford County School Department, and the Emergency 911 Communications District of Bedford County are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The employees of the District comprise 1.37 percent of the plan. The District's allocation was determined based on the number of active employees in the plan. Because the District shares costs with Bedford County and the Bedford County School Department, the District's plan is considered to be a cost sharing pension plan.

The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
**(a component unit of Bedford County, Tennessee)**  
**June 30, 2015**

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NOTE G - GENERAL INFORMATION ABOUT THE PENSION PLAN (continued)

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the District were \$19,101 based on a rate of 5.25 percent of covered payroll. By law, employer contributions are required to be paid. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

The District's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
(a component unit of Bedford County, Tennessee)  
**June 30, 2015**

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NOTE G - GENERAL INFORMATION ABOUT THE PENSION PLAN (continued)

Actuarial assumptions

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
(a component unit of Bedford County, Tennessee)  
**June 30, 2015**

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NOTE G - GENERAL INFORMATION ABOUT THE PENSION PLAN (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of the District calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Emergency 911 Communications District of Bedford County's net pension liability (asset)	\$ (40,171)	\$ (118,939)	\$ (183,898)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Pension income

For the year ended June 30, 2015, the District recognized pension income of \$12,463.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 16,724
Net difference between projected and actual earnings on pension plan investments	-	45,010
Contributions subsequent to the measurement date of June 30, 2014	19,493	-
Total	\$ 19,493	\$ 61,734

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
**(a component unit of Bedford County, Tennessee)**  
**June 30, 2015**

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NOTE G - GENERAL INFORMATION ABOUT THE PENSION PLAN (continued)

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	\$ (15,434)
2017	(15,434)
2018	(15,434)
2019	(15,434)
2020	-
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

NOTE H - IMPLEMENTATION OF GASB STATEMENT NUMBERS 68 AND 71

Effective for the fiscal year ending June 30, 2015, the District implemented the provisions of GASBS 68, *Accounting and Financial Reporting for Pensions* and GASBS 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements’ primary objective is to improve accounting and financial reporting for pensions. Among the requirements of GASBS 68 are the recognition of a net pension liability or asset. The net pension liability or asset is measured as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan’s fiduciary net position. Accounting changes adopted to conform to the provisions of these statements are to be applied retroactively by restating financial statements.

The effect of implementing GASBS 68 has been the restatement of beginning net position as follows:

Net position June 30, 2014 as previously reported	\$ 1,245,080
Net pension asset at 7-1-13	31,360
Deferred outflow for employer contributions made during fiscal year 6-30-14	<u>13,383</u>
Net position June 30, 2014, restated	<u>\$ 1,289,823</u>

The effect of adopting these statements on the change in net position for the year ended June 30, 2015, was to increase the change \$31,956. Because the total pension liability has not previously been actuarially calculated, pro forma amounts for the year ending June 30, 2014, are not readily determinable.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET BASED ON**  
**PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
(a component unit of Bedford County, Tennessee)

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	2014*
Employer's proportion of the collective net pension liability/ asset	1.37%
Employer's proportionate share of the net pension liability/ asset	\$ 118,939
Plan fiduciary net position as a percentage of total pension liability	119.75%
Covered-employee payroll	\$ 363,831
Net pension liability/ asset as a percentage of covered-employee payroll	32.69%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

\* The amounts presented were determined as of June 30 of the prior fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE**  
**PENSION PLAN OF TCRS**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
(a component unit of Bedford County, Tennessee)

	2014	2015
Actuarially determined contribution	\$ 13,383	\$ 19,101
Contributions in relation to the actuarially determined contribution	13,383	19,101
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 313,913	\$ 363,831
Contributions as a percentage of covered-employee payroll	4.26%	5.25%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Notes to Schedule**

Valuation date:

Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	4 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

## **SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE (CASH BASIS BUDGET)**

**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**

(a component unit of Bedford County, Tennessee)

Year ended June 30, 2015

	Actual (Cash Basis)	Budget (Cash Basis)	Variance Under (Over)
<b><u>REVENUES</u></b>			
Emergency telephone service charge	\$ 439,722	\$ 353,060	\$ (86,662)
TECB - shared wireless charge	61,735	50,500	(11,235)
TECB - operational funding	83,607	83,500	(107)
TECB - grants and reimbursements	552,229	526,400	(25,829)
Interest income	1,598	400	(1,198)
Contributions from primary government	422,321	450,125	27,804
Miscellaneous income	22,392	-	(22,392)
Other operating revenues	2,790	1,000	(1,790)
Insurance proceeds	25,733	-	(25,733)
TOTAL CASH BASIS REVENUES	<u>1,612,127</u>	<u>1,464,985</u>	<u>(147,142)</u>
<b><u>CASH EXPENSES</u></b>			
Salaries and Wages:			
Director	53,213	54,260	1,047
Administrative salaries	32,813	34,242	1,429
Dispatchers' salaries	271,003	272,763	1,760
Overtime pay	49,707	65,226	15,519
Longevity and holiday pay	30,809	31,150	341
	<u>437,545</u>	<u>457,641</u>	<u>20,096</u>
Employee Benefits:			
Social security	28,625	31,015	2,390
Medicare	6,062	6,621	559
Life insurance	612	660	48
Medical insurance	41,979	52,232	10,253
Unemployment compensation	1,730	2,268	538
Retirement contributions	19,493	23,971	4,478
	<u>98,501</u>	<u>116,767</u>	<u>18,266</u>

**BUDGETARY COMPARISON SCHEDULE (CASH BASIS BUDGET) (continued)**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
(a component unit of Bedford County, Tennessee)

Year ended June 30, 2015

	Actual (Cash Basis)	Budget (Cash Basis)	Variance Under (Over)
<b>Contracted Services:</b>			
Addressing/Mapping expenses	7,390	30,000	22,610
Advertising	177	500	323
Audit services	7,500	8,500	1,000
Administrative fees-service charges	3,714	4,000	286
Fees paid to service providers	113,475	129,902	16,427
Legal services	10,200	15,000	4,800
Maintenance agreements	40,706	38,310	(2,396)
NCIC/TBI/TIES expenses	5,800	8,500	2,700
Pest control	1,015	1,500	485
Lease/rental-furniture and fixtures	5,916	7,000	1,084
Maintenance and repairs-communications equipment	14,263	24,000	9,737
Maintenance and repairs-buildings and facilities	6,927	10,340	3,413
Maintenance and repairs-office equipment	495	500	5
Maintenance and repairs-vehicles	90	2,000	1,910
Fuel-vehicles	676	2,500	1,824
	<u>218,344</u>	<u>282,552</u>	<u>64,208</u>
<b>Supplies and Materials:</b>			
Office supplies	337	3,000	2,663
Custodial supplies	1,036	1,800	764
Postage	443	1,000	557
Small equipment purchases	725	11,500	10,775
Uniforms and shirts	4,867	6,000	1,133
Utilities-electric	15,061	16,000	939
Utilities-gas	1,719	3,000	1,281
Utilities-general telephone	14,943	15,600	657
Utilities-cell phone and pagers	3,213	3,500	287
Other supplies and materials	-	1,500	1,500
	<u>42,344</u>	<u>62,900</u>	<u>20,556</u>

**BUDGETARY COMPARISON SCHEDULE (CASH BASIS BUDGET) (continued)**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**  
(a component unit of Bedford County, Tennessee)

Year ended June 30, 2015

	Actual (Cash Basis)	Budget (Cash Basis)	Variance Under (Over)
Other Charges:			
Board meeting expenses	1,030	1,500	470
Dues and memberships	2,749	4,000	1,251
Employee testing and exams	775	4,000	3,225
Insurance-workers compensation	3,177	3,200	23
Insurance-buildings and contents	7,027	8,100	1,073
Insurance-vehicles	1,076	1,500	424
Legal notices	267	1,500	1,233
Premiums on surety bonds	350	600	250
Public education	468	1,000	532
Service awards	-	1,000	1,000
Training expenses	5,417	10,000	4,583
Travel expenses	3,361	5,000	1,639
Internet charges	1,332	2,500	1,168
	<u>27,029</u>	<u>43,900</u>	<u>16,871</u>
TOTAL CASH BASIS EXPENSES	<u>823,763</u>	<u>963,760</u>	<u>139,997</u>
CASH BASIS NET INCOME (LOSS)	<u>788,364</u>	<u>\$ 501,225</u>	<u>\$ (287,139)</u>

Reconciliation of Cash Basis to Accrual Basis -

Depreciation	(123,040)
Insurance proceeds received	(25,733)
Impairment gain	8,781
Loss on disposal of property	(2,061)
Decrease in accounts receivable - fees	(20,280)
Decrease in due from TECB	(19,532)
Increase in due from primary government	(12,738)
Increase in pension other deferral	19,493
Decrease in prepaid expenses	9,514
Increase in net pension asset	12,463
Decrease in accounts payable	362
Decrease in accrued payroll	(1,243)
Increase in compensated absences payable	4,007
NET RECONCILIATION CASH TO ACCRUAL	<u>(150,007)</u>
CHANGE IN NET POSITION (ACCRUAL)	638,357
NET POSITION, JULY 1 2014, AS RESTATED	1,289,822
NET POSITION, JUNE 30 2015	<u>\$ 1,928,179</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 *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Emergency Communications District of Bedford County  
Shelbyville, 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 Emergency Communications District of Bedford County, a component unit of Bedford County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Emergency Communications District of Bedford County's basic financial statements, and have issued our report thereon dated October 21, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Emergency Communications District of Bedford County'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 Emergency Communications District of Bedford County's internal control. Accordingly, we do not express an opinion on the effectiveness of Emergency Communications District of Bedford County'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 Emergency Communications District of Bedford County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2013-1.

## **Emergency Communications District of Bedford County's Response to Findings**

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

## **Purpose of this Report**

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

*Winnett Associates, PLLC*

Shelbyville, Tennessee  
October 21, 2015

**SCHEDULE OF FINDINGS**  
**EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**

June 30, 2015

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**Current Year**

None

**Prior Year - Corrective Action Has Not Been Taken**

**Finding 2013-1:**

*Condition, Criteria, Cause and Effect:* Tennessee Code Annotated section 7-86-120 requires the District to adopt and operate under an annual budget. Budget ordinances are to be adopted for the original budget and amendments made as needed. The legal level of control is defined to be at the line-item level. Certain line items had expenditures in excess of amounts budgeted.

*Status:* For the fiscal year 2015 budget one line item had expenditures in excess of amounts budgeted.

*Recommendation:* The budget is provided on the cash basis. However it would appear amendments are at times based on the accrual basis. Amendments should be made based on the basis for which the budget is implemented.

*Management's Response:* Steps have been taken to correct this finding.