

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2015

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS

DISTRICT OF CUMBERLAND COUNTY, TENNESSEE

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**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

INTRODUCTORY SECTION

JUNE 30, 2015

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
BOARD OF DIRECTORS
JUNE 30, 2015**

Everett Bolin, Chairman

2089 East First Street
Crossville, Tennessee 38555

Creed Lynn Tollett, Vice Chairman

7680 Dunbar Road
Crossville, Tennessee 38572

McKinley Tabor, Treasurer

P.O. Box 2582
Crossville, Tennessee 38557

Robert Citkovic, Secretary

18 Pamala Lane
Fairfield Glade, Tennessee 38558

Mark Fox, Director

100 Lantana Road, Suite 202
Crossville, Tennessee 38555

Woody Geisler, Director

108 Greenwood Rd
Crossville, Tennessee 38558

Kimberly Peaslee, Director

9997 Old Hwy 28
Pikeville, Tennessee 37367

Trey Kerley, Director

7033 Chief White Eagle Ln
Crossville, Tennessee 38572

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

FINANCIAL SECTION

JUNE 30, 2015

CERTIFIED PUBLIC ACCOUNTANTS

Joe Savage
Marie I. Niekerk
Josh Stone
Earl O. Wright - 1988 - 2002

Stephen J. Parsons - Retired
Catherine R. Hulme
Rebecca Hutsell
William R. Scandlyn - 1988 - 1999

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Cumberland County Emergency Communications
District of Cumberland County, Tennessee

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cumberland County Emergency Communications District of Cumberland County, Tennessee's basic financial statements. The Statement of Revenues and Expenses – Budget to Actual (Cash Basis Budget) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Statement of Revenues and Expense – Budget to Actual (Cash Basis Budget) is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Revenues and Expense – Budget to Actual (Cash Basis Budget) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2015, on our consideration of the Cumberland County Emergency Communications District of Cumberland County, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cumberland County Emergency Communications District of Cumberland County, Tennessee's internal control over financial reporting and compliance.

Parsons & Wright, CPAs

Parsons & Wright
Certified Public Accountants
Kingston, Tennessee

December 10, 2015

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

As financial management of the Cumberland County Emergency Communications District (the "District"), we offer readers of these financial statements this narrative overview and analysis of the District for the fiscal year ending June 30, 2015. Please read it in conjunction with the District's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

The District's total net position decreased in 2014/2015 from \$975,764 to \$813,731 or 16.61% over the previous year. We attribute the decrease to increased operating expenses compared to the prior year. We experienced an increase in our operating revenues and a decrease in our non-operating revenues. We experienced an overall increase in revenues of 4.99%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of two components: 1) financial statements comprised of the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, 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. Net position increases when revenues exceed expenses. Increases to assets (without a corresponding increase to liabilities) results in increased net position, which indicates an improved financial position.

The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the last 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 (e.g., uncollected user service fees, uncollected subsidy payments, and earned but unused vacation leave).

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

The financial statements can be found on pages 8-13 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 14-21 of this report.

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budgetary compliance and variances from the final budget. This supplementary information can be found on pages 22-24 of this report.

FINANCIAL ANALYSIS

Net position may serve, over time as a useful indicator of the government's financial position. In the case of the District, assets exceeded liabilities by \$813,731 at the close of the last fiscal year ending June 30, 2015. The District repaid \$56,362 of its long-term indebtedness.

The District showed a decrease in the amount of landline revenue this year. This has been a recurring trend now for the past five (5) fiscal years. This is due to the move to newer wireless and VOIP technologies.

Our non-operating revenues decreased due to the receipt of a large grant received in the prior fiscal year.

NET POSITION

**Table 1
Net Position
Years ended June 30, 2015 and 2014**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>	<u>Change %</u>
Current and other assets	\$384,884	\$569,008	-\$184,124	-32.36%
Capital Assets	<u>1,046,279</u>	<u>1,090,809</u>	<u>-44,530</u>	<u>-4.08%</u>
Total Assets	<u>\$1,431,163</u>	<u>\$1,659,817</u>	<u>-\$228,654</u>	<u>-13.78%</u>
Current Liabilities	\$132,070	\$141,329	-\$9,259	-6.55%
Long-term Debt: Bonds Payable	<u>485,362</u>	<u>542,724</u>	<u>(57,362)</u>	<u>-10.57%</u>
Total Liabilities	<u>\$617,432</u>	<u>\$684,053</u>	<u>(\$66,621)</u>	<u>-9.74%</u>
Net Position:				
Net Investment in Capital Assets	\$504,055	\$491,723	\$12,332	2.51%
Unrestricted	<u>309,676</u>	<u>484,041</u>	<u>-174,365</u>	<u>-36.02%</u>
Total Net Position	<u>\$813,731</u>	<u>\$975,764</u>	<u>-\$162,033</u>	<u>-16.61%</u>
Total Liabilities and Net Position	<u>\$1,431,163</u>	<u>\$1,659,817</u>	<u>-\$228,654</u>	<u>-13.78%</u>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

**Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2015 and 2014**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>	<u>%</u>
Revenues:				
Operating Revenues	\$883,411	\$729,299	\$154,112	21.13%
Non-operating revenues				
Interest Income	722	628	\$94	14.97%
TECB - Grants and Reimbursements	72,443	194,021	(\$121,578)	-62.66%
Mapping Service Cost Charing	13,500	0	\$13,500	100.00%
Total Revenues	<u>\$970,076</u>	<u>\$923,948</u>	<u>\$46,128</u>	4.99%
Expenses:				
Operating Expenses	\$942,276	\$885,063	\$57,213	6.46%
Depreciation Expense	188,273	171,893	16,380	9.53%
Interest and Bond Costs	1,560	1,546	14	0.91%
Total Operating Expenses	<u>\$1,132,109</u>	<u>\$1,058,502</u>	<u>\$73,607</u>	6.95%
Changes in Net Position	(\$162,033)	(\$134,554)	(\$27,479)	20.42%
Beginning Net Position	975,764	1,110,318	(134,554)	-12.12%
Ending Net Position	<u>\$813,731</u>	<u>\$975,764</u>	<u>(\$162,033)</u>	-16.61%

CAPITAL ASSETS

The following table summarizes the District's capital assets, net of accumulated depreciation for the fiscal years ended June 30, 2015 and 2014:

**Table 3
Capital Assets, Net of Accumulated Depreciation
Year ended June 30, 2015 and 2014**

	<u>June 30,2015</u>	<u>June 30,2014</u>
Building and Improvements	\$1,032,756	\$1,032,756
Furniture and Fixtures	15,290	15,290
Office Equipment	28,207	38,034
Communications Equipment	1,104,174	984,028
Vehicles	20,987	20,987
Total	<u>\$2,201,414</u>	<u>\$2,091,095</u>
Accumulated Depreciation	<u>1,155,135</u>	<u>1,000,286</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$1,046,279</u>	<u>\$1,090,809</u>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

LONG-TERM DEBT

The District's long-term debt consists of the following:

	FY 2015	FY 2014	\$ Change
Tennessee Municipal Bond Fund	\$ 532,000	\$ 583,000	\$ (51,000)
Payment Agreement, DSS Corp	<u>10,724</u>	<u>16,086</u>	<u>(5,362)</u>
	<u>\$ 542,724</u>	<u>\$ 599,086</u>	<u>\$ (56,362)</u>

See Note F of the notes to financial statements for additional details.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors and Rates:

- Beginning January 1, 2015, the District funding changed from the District receiving fees from the telephone providers, to the new funding model set by the Tennessee Legislators in the 2014 Legislative session. This set the 911 fee for all telephones, cell phones and VOIP at \$1.16 per line. In this model, the State Emergency 911 Board collects all revenue and distributes it to the Districts by a formula that distributes the funds to the District at the same level as our income was in 2011. We expect some changes in this as the State gets more experience in implementing this.

We will continue to monitor the revenue and work with the State Board and the State Legislature to ensure adequate funding for our center.

Future Budgetary Considerations:

- The District has reduced the cost of the AVL system, and transferred a portion of other expenses to other departments. By this we have reduced the AVL expenses from approximately \$6,000.00 per month, to approximately \$1,200.00 per month.
- The District also has had an intergovernmental agreement with the City of Crossville and the Cumberland County government, where we paid one third of the operating expenses for the dispatch center. Due to budget constraints, we have cancelled that agreement effective at the close of budget year 2015/2016. This we improve the cash flow of the District by approximately \$350,000.00 per year. The District will use this to build funds to replace equipment as it becomes necessary.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Cumberland County 911 Emergency Communications District
Office of the Treasurer
42 Southbend Drive, Crossville, Tennessee 38555

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

FINANCIAL STATEMENTS

JUNE 30, 2015

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF NET POSITION
JUNE 30, 2015**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	70,375
Certificates of Deposit		107,103
Accounts Receivable		145,299
Prepaid Expenses		62,107
Total Current Assets	\$	<u>384,884</u>

NON-CURRENT ASSETS

Capital Assets		
Building and Improvements	\$	1,032,756
Furniture and Fixtures		15,290
Office Equipment		28,207
Communications Equipment		1,104,174
Vehicles		20,987
Total Capital Assets	\$	<u>2,201,414</u>
Accumulated Depreciation		<u>(1,155,135)</u>
Capital Assets, Net of Depreciation	\$	<u>1,046,279</u>
Total Non-Current Assets	\$	<u>1,046,279</u>

TOTAL ASSETS

\$ 1,431,163

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$	66,598
Accrued Payroll		3,529
Compensated Absences Payable		3,419
Accrued Payroll Deductions		1,162
Notes Payable - Current		57,362
Total Current Liabilities	\$	<u>132,070</u>

NON-CURRENT LIABILITIES

Notes Payable - Long-term	\$	<u>485,362</u>
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TOTAL LIABILITIES

\$ 617,432

NET POSITION

NET POSITION

Net Investment in Capital Assets	\$	504,055
Unrestricted Net Position		<u>309,676</u>
TOTAL NET POSITION	\$	<u><u>813,731</u></u>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2015**

OPERATING REVENUES

Emergency Telephone Service Charge	\$ 186,661
Tennessee Emergency Communications Board - Shared Wireless Charge	55,502
Tennessee Emergency Communications Board - Operational Funding	60,052
Tennessee Emergency Communications Board - Distribution	581,196
Total Operating Revenues	\$ <u>883,411</u>

OPERATING EXPENSES

Salaries and Wages

Director	\$ 50,724
Administrative Personnel	113,548
Total Salaries and Wages	\$ <u>164,272</u>

Employee Benefits

Social Security	\$ 9,719
Medicare	2,847
Medical Insurance	45,797
Total Employee Benefits	\$ <u>58,363</u>

Contracted Services

Addressing/Mapping Service	\$ 7,095
Audit Services	5,500
Accounting Services	3,040
Impact Payments	345,634
Janitorial Services	6,240
Legal Services	12,000
Maintenance Agreements	72,519
NCIC/TBI/TIES Expenses	11,000
Other Consultants	11,000
Administrative Services	7,000
Pest Control	437
Maintenance and Repairs - Communication Equipment	5,232
Maintenance and Repairs - Buildings and Facilities	10,479
Maintenance and Repairs - Vehicles	736
Fuel - Vehicles	1,140
Language Line	364
Garbage Pickup	1,888
Total Contracted Services	\$ <u>501,304</u>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
JUNE 30, 2015**

Supplies and Materials

Office Supplies	\$ 8,752
Custodial Supplies	302
Postage	1,577
Small Equipment	137
Uniforms and Shirts	81
Utilities - Electric	20,763
Utilities - Gas	899
Utilities - Water	450
Utilities - General Telephone	6,628
Utilities - Cell Phones and pagers	515
Utilities - Trunk Lines	43,407
Utilities - AVL Wireless	75,718
Total Supplies and Materials	<u>\$ 159,229</u>

Other Charges

Dues and Memberships	\$ 9,147
Insurance - Workers Compensation	1,417
Insurance - Liability and Building and Contents	13,876
Insurance - Vehicles	1,107
Legal Notices	580
Premiums on Surety Bonds	1,383
Training Expenses	2,639
Travel Expenses	4,365
Internet Charges	3,352
Dispatcher Training	15,897
Other Fees	5,345
Total Other Charges	<u>\$ 59,108</u>

Depreciation

Depreciation Expense	\$ 188,273
Total Depreciation	<u>\$ 188,273</u>

Total Operating Expenses	<u>\$ 1,130,549</u>
Operating Income (Loss)	<u>\$ (247,138)</u>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)
JUNE 30, 2015**

NONOPERATING REVENUES (EXPENSES)	
Interest Income	\$ 722
Tennessee Emergency Communications Board - Grants & Reimbursements	72,443
Mapping Service Cost Sharing	13,500
Bond Cost	(350)
Interest Expense	(1,210)
Total Nonoperating Revenues (Expenses)	<u>\$ 85,105</u>
INCREASE (DECREASE) IN NET POSITION	\$ (162,033)
NET POSITION - BEGINNING OF YEAR	\$ <u>975,764</u>
NET POSITION - END OF YEAR	\$ <u><u>813,731</u></u>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

CASH FLOW FROM OPERATING ACTIVITIES

Cash Received from Surcharge and Other Revenues	\$ 825,902
Cash Payments to Suppliers for Goods and Services	(726,034)
Cash Payments for Payroll, Taxes, and Related Benefits	<u>(220,192)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(120,324)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants/Reimbursements TECB	\$ 72,443
Mapping Service Cost Sharing	<u>13,500</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	\$ <u>85,943</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Capital Assets	\$ (143,743)
Principal Paid on Notes Payable	(56,362)
Interest Paid on Notes Payable	(1,210)
Bond Costs	<u>(350)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ <u>(201,665)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income Received	\$ 722
Increase in Certificate of Deposit	(630)
Redemption of Certificate of Deposit	<u>90,468</u>
Net Cash Provided (Used) by Investing Activities	\$ <u>90,560</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS **\$ (145,486)**

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR **\$ 215,861**

CASH AND CASH EQUIVALENTS - END OF YEAR **\$ 70,375**

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (247,138)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Depreciation	188,273
CHANGES IN ASSETS AND LIABILITIES:	
(Increase) Decrease in Accounts Receivable	(57,509)
(Increase) Decrease in Prepaid Expenses	(22,451)
(Increase) Decrease in Deposit on Equipment	28,760
Increase (Decrease) in Accounts Payable	(12,702)
Increase (Decrease) in Accrued Payroll	533
Increase (Decrease) in Compensated Absences Payable	173
Increase (Decrease) in Accrued Payroll Deductions Payable	1,737
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>(120,324)</u>
RECONCILIATION OF CASH WITH STATEMENT OF CASH FLOWS:	
Cash per Statement of Net Position	\$ 70,375
Investments with Original Maturity of Three (3) Months or Less	<u>0</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2015	\$ <u>70,375</u>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE A - THE REPORTING ENTITY

The Cumberland County Emergency Communications District of Cumberland County, Tennessee (the District) was organized in July of 1990, under the authority of *Title 7, Chapter 86, Tennessee Code Annotated*, for the purpose of providing to the residences within the boundaries of Cumberland County, Tennessee emergency 9-1-1 services as a means of securing emergency services quickly and efficiently.

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

NOTE B - SUMMARY OF ACCOUNTING POLICIES

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

1. 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 expenses are recorded at the time liabilities are incurred.

Additionally, proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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, as well as charges for tapes. Operating expenses for proprietary funds include the cost of sales and services such as salaries and wages, employee benefits, 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. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

2. DEPOSITS AND INVESTMENTS

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

3. RECEIVABLES AND PAYABLES

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

4. 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.

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE B - SUMMARY OF ACCOUNTING POLICIES – Continued

5. CAPITAL ASSETS

Capital assets are defined by the District as assets with an initial, individual cost of \$10,000 or greater, and an estimated useful life of three (3) years or greater. Capital assets are carried at cost. The District capitalizes net interest cost as part of the cost of constructing capital assets.

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

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

6. RESTRICTED ASSETS

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities will be first used for retirement of related long-term debt. The remainder, if generated from earnings, is shown as Restricted Net Position. There are no restricted assets at June 30, 2015.

7. COMPENSATED ABSENCES

The District's policy provides that vacation time may be accumulated and carried forward to the next year in an amount not to exceed 184 total hours. Any hours exceeding the 184-hour limit will be converted to sick leave if not used prior to the end of the current employment year. Upon termination of employment, an employee will be entitled to payment of any unused vacation time, which has accrued, up to 184 hours. Payment will be based upon the employee's daily rate of compensation at the time of termination. The accumulated amount is charged to expense and corresponding liability in the financial statements.

8. LONG-TERM DEBT AND COSTS

Long-term debt is reported at face value. Costs related to the issuance of debt are expensed in the current period.

9. NET POSITION

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

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE B - SUMMARY OF ACCOUNTING POLICIES – Continued

10. ESTIMATES

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

11. BUDGET

The District is required by state law to adopt an annual operating budget. The Board of Directors approves the original budget and any amendments, and maintains the legal level of control at the line item level. The budget is prepared on the cash basis of accounting. All appropriations lapse at the end of the year. The budget is legally adopted, by the Board of Commissioners, in accordance with the provisions of Tennessee Code Annotated, Section 7-86-120.

NOTE C – DEPOSITS AND INVESTMENTS

State of Tennessee statutes restrict the investment options of the District. The District can only invest funds using the following investment options:

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

Certificates of deposit and other evidence of deposit at Tennessee State chartered banks and savings and loan associations and federally chartered banks and savings and loan associations;

The State of Tennessee local government investment pool;

Obligations of the United States or its agencies under a repurchase agreement, with certain conditions;

Bonds rated A or higher by any nationally recognized rating service of the State of Tennessee, bonds of any county or municipal corporations of the State of Tennessee (bonds of any road, levee, or drainage district is expressly excluded), bonds of any other state or political subdivision;

Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, and the Student Loan Marketing Association provided such securities are rated in the highest category by at least two (2) nationally recognized rating services;

The county's own bonds or notes issued in accordance with Tennessee Code Annotated Title 9, Chapter 21.

All investments of the District must have a maturity of not greater than two (2) years or with certain authorized approval up to five (5) years.

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE C – DEPOSITS AND INVESTMENTS – Continued

At June 30, 2015, the District's deposits and investments consisted of the following:

	Bank Balance	Carrying Value
First Bank - Operating Account	\$ 118,013	\$ 49,385
First National Bank of TN - Payroll Account	16,081	16,081
Progressive Savings Bank - Certificate of Deposit	107,103	107,103
Cumberland County Bank	4,909	4,909
Total Deposits and Investments	\$ <u>246,106</u>	\$ <u>177,478</u>

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

As of June 30, 2015, deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000. In addition, First Bank is a member of the State of Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The District's deposits in financial institutions were entirely insured or collateralized at June 30, 2015.

The District's only investments at June 30, 2015 were certificates of deposits held at Tennessee state chartered banks.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consisted of funds due from the following agencies:

State of Tennessee	\$ <u>145,299</u>
Total Accounts Receivable	\$ <u><u>145,299</u></u>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE E – CAPITAL ASSETS

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

<u>PROPERTY, PLANT & EQUIPMENT</u>	<u>BALANCE JUNE 30, 2014</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE JUNE 30, 2015</u>
Capital Assets, Being Depreciated				
Building and Improvements	\$ 1,032,756	\$ 0	\$ 0	\$ 1,032,756
Office Equipment and Fixtures	53,324	0	(9,827)	43,497
Communication and Computer Equipment	984,028	143,802	(23,656)	1,104,174
Vehicles	20,987	0	0	20,987
Total Capital Assets Being Depreciated	<u>\$ 2,091,095</u>	<u>\$ 143,802</u>	<u>\$ (33,483)</u>	<u>\$ 2,201,414</u>
Less: Accumulated Depreciation				
Building and Improvements	\$ 245,396	\$ 26,536	\$ 0	\$ 271,932
Office Equipment and Fixtures	46,946	1,989	(9,827)	39,108
Communication and Computer Equipment	686,957	159,748	(23,597)	823,108
Vehicle	20,987	0	0	20,987
Total Accumulated Depreciation	<u>\$ 1,000,286</u>	<u>\$ 188,273</u>	<u>\$ (33,424)</u>	<u>\$ 1,155,135</u>
NET CAPITAL ASSETS	<u>\$ 1,090,809</u>	<u>\$ (44,471)</u>	<u>\$ (59)</u>	<u>\$ 1,046,279</u>

NOTE F – LONG-TERM DEBT

On November 17, 2004, the District obtained financing in the amount of \$1,000,000 through the City of Crossville, from the Public Building Authority of the City of Clarksville, Tennessee Adjustable Rate Pooled Financing Revenue Bonds, Series 2004 (Tennessee Municipal Bond Fund) for the purpose of constructing a new facility for the Emergency Communications Center. The loan rate for each loan payment period is calculated by the Trustee based on interest rates determined by the Remarketing Agent for the current month. The interest rate in effect at June 30, 2015 was .26%.

During 2013, the District purchased equipment on account with DSS Corp. The total equipment purchase was \$32,205, which includes an installation charge of \$1,500. The agreement calls for 5 annual payments of \$9,257 plus payment of the \$1,500 installation charge with the first payment. Total payments under the agreement equal \$47,785. The difference in the amount of the equipment and the total payments is four annual payments, beginning in year 2, for maintenance. The total amount of the maintenance agreement is \$15,580. The agreement does not call for the payment of interest.

Details of the District's long-term debt for the year ended June 30, 2015 are as follows:

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE F – LONG-TERM DEBT - Continued

	<u>BALANCE</u> <u>JUNE 30, 2014</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2015</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
Tennessee Adjustable Rate Pooled Financing Revenue Bonds, Series 2004, Maturing 2024, Rate - Adjustable	\$ 583,000	\$ 0	\$ (51,000)	\$ 532,000	\$ 52,000
Payment Agreement DSS Corp, Rate - 0%	16,086	0	(5,362)	10,724	5,362
	<u>\$ 599,086</u>	<u>\$ 0</u>	<u>\$ (56,362)</u>	<u>\$ 542,724</u>	<u>\$ 57,362</u>

Debt Service Requirements to maturity are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016	\$ 57,362	\$ 1,389	\$ 58,751
2017	59,362	1,250	60,612
2018	56,000	1,109	57,109
2019	57,000	963	57,963
2020	59,000	817	59,817
2021	61,000	661	61,661
2022	63,000	502	63,502
2023	64,000	338	64,338
2024	66,000	172	66,172
TOTAL	<u>\$ 542,724</u>	<u>\$ 7,201</u>	<u>\$ 549,925</u>

Interest requirements are computed using the rate in effect at June 30, 2015 of .26% for the revenue bond and 0% for the payment agreement with DSS Corp.

The bonds are secured to the City of Crossville by statutory lien on the property and improvements thereto and on the revenues of the District. In the event that any indebtedness is not satisfied in full by these liens, the City of Crossville is given a lien on the District revenues that are not required uses of "911" revenue, as set forth within Revenue Standards of the Tennessee Emergency Communications Board, as may be amended.

NOTE G – RISK MANAGEMENT

The Cumberland County Emergency Communications District of Cumberland County, Tennessee is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three (3) years. There were no significant reductions in insurance coverage in the prior year. The details of the coverage in effect at June 30, 2015 are as follows:

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE G – RISK MANAGEMENT - Continued

<u>COVERAGE</u>	<u>PERIOD OF COVERAGE</u>	<u>LIMITS</u>
COMMERCIAL GENERAL LIABILITY		
General Aggregate	4/30/15 - 4/30/16	\$ 3,000,000
Products Aggregate		3,000,000
Personal and Advertising Injury		1,000,000
Each Occurrence or Medical Incident		1,000,000
Medical Expense, Any One Person		5,000
VEHICLE		
Liability, Each Accident	4/30/15 - 4/30/16	1,000,000
Uninsured Motorists		1,000,000
Underinsured Motorists		1,000,000
Medical Payments		10,000
Physical Damage - Comprehensive		Actual Cash Value
Physical Damage - Collision		Actual Cash Value
Deductible - Comprehensive		250
Deductible - Collision		250
SCHEDULE OF PROPERTY COVERAGE		
Real Property	4/30/15 - 4/30/16	1,423,312
Personal Property		652,842
Deductible per Occurrence -		
Policy - Per Occurrence		250
Earthquake - Per Item		103,808
Flood - Per Premises		1,000
Money and Securities		30,000
Software		250,000
MANAGEMENT LIABILITY		
Aggregate Limit	4/30/15 - 4/30/16	3,000,000
Wrongful Act, Each Act		1,000,000
Injunctive Relief, Each Action		50,000
WORKMEN'S COMPENSATION		
Each Accident	10/15/14 - 10/15/15	100,000
Disease - Each Employee		100,000
Policy Limit		500,000
EMPLOYEE THEFT		
Per Loss Coverage -		
Limit of Occurrence	6/24/15 - 6/24/16	50,000
Excess Limit of Insurance		
Specified Employee or Positions		
For Employee Theft Only - Limit Per Occurrence		700,000

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE H – SUBSEQUENT EVENTS

The District has evaluated events and transactions that occurred between June 30, 2015 and December 10, 2015, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. No such items were noted.

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

SUPPLEMENTAL FINANCIAL INFORMATION

JUNE 30, 2015

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF REVENUES AND EXPENSES – BUDGET TO ACTUAL (CASH BASIS BUDGET)
FOR THE YEAR ENDED JUNE 30, 2015**

OPERATING REVENUES	Actual	Budget	Variance
	<u>(Cash Basis)</u>	<u>(Cash Basis)</u>	Favorable/ (Unfavorable)
New Bill Money (1/2015-6/2015)	\$ 435,897	\$ 436,000	\$ (103)
Emergency Telephone Service Charge	218,667	218,747	(80)
TECB - Shared Wireless Charge and Operational Funding	171,338	184,858	(13,520)
Total Operating Revenues	\$ 825,902	\$ 839,605	\$ (13,703)
 OPERATING EXPENSES			
<u>Salaries and Wages</u>			
Director	\$ 52,597	\$ 50,000	\$ (2,597)
Administrative Personnel	113,546	112,000	(1,546)
Total Salaries and Wages	\$ 166,143	\$ 162,000	\$ (4,143)
 <u>Employee Benefits</u>			
Social Security	\$ 9,660	\$ 14,262	\$ 4,602
Medicare	2,733	2,367	(366)
Medical Insurance	45,797	41,619	(4,178)
Total Employee Benefits	\$ 58,190	\$ 58,248	\$ 58
 <u>Contracted Services</u>			
Mapping Services	\$ 38,655	\$ 40,000	\$ 1,345
Audit Services	5,500	5,500	0
Accounting Services	6,849	2,500	(4,349)
Contracts With Government Agencies	0	300	300
Impact Payments	350,309	320,000	(30,309)
Janitorial Services	6,240	5,760	(480)
Legal Services	14,000	14,000	0
Maintenance Agreements	62,336	52,000	(10,336)
NCIC/TBI/TIES Expenses	11,000	10,000	(1,000)
Other Consultants	12,000	12,000	0
Administrative Services	8,000	8,000	0
Pest Control	437	550	113
Maintenance and Repairs - Communication Equipment	7,874	7,589	(285)
Maintenance and Repairs - Buildings and Facilities	10,689	5,720	(4,969)
Maintenance and Repairs - Vehicles	736	736	0
Fuel - Vehicles	1,140	946	(194)
Language Line	364	305	(59)
Garbage Pickup	1,888	1,750	(138)
Total Contracted Services	\$ 538,017	\$ 487,656	\$ (50,361)

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF REVENUES AND EXPENSES – BUDGET TO ACTUAL (CASH BASIS BUDGET)
FOR THE YEAR ENDED JUNE 30, 2015**

	Actual (Cash Basis)	Budget (Cash Basis)	Variance Favorable/ (Unfavorable)
<u>Supplies and Materials</u>			
Office Supplies	\$ 9,747	\$ 8,200	\$ (1,547)
Custodial Supplies	302	329	27
Postage	1,669	1,304	(365)
Small Equipment	137	0	(137)
Uniforms and Shirts	81	81	0
Utilities - Electric	19,052	20,000	948
Utilities - Gas	930	1,000	70
Utilities - Water	490	500	10
Utilities - General Telephone	5,315	11,000	5,685
Utilities - Cell Phones and Pagers	515	600	85
Utilities - Trunk Lines	44,382	39,000	(5,382)
Utilities - AVL Wireless	69,909	75,000	5,091
Printing Expenses	0	200	200
Total Supplies and Materials	<u>\$ 152,529</u>	<u>\$ 157,214</u>	<u>\$ 4,685</u>
<u>Other Charges</u>			
Board Meeting Expense	\$ 0	\$ 200	\$ 200
Dues and Memberships	9,147	10,600	1,453
Insurance - Workers Compensation	1,309	1,000	(309)
Insurance - Liability and Building and Contents	14,728	15,300	572
Insurance - Vehicles	1,308	1,107	(201)
Legal Notices	663	600	(63)
Premiums on Surety Bonds	1,383	1,400	17
Training Expenses	2,639	2,700	61
Travel Expenses	4,365	8,100	3,735
Internet Charges	3,352	3,300	(52)
Dispatcher Training	15,897	12,000	(3,897)
Other Fees	5,345	0	(5,345)
Total Other Charges	<u>\$ 60,136</u>	<u>\$ 56,307</u>	<u>\$ (3,829)</u>
Total Operating Expenses	<u>\$ 975,015</u>	<u>\$ 921,425</u>	<u>\$ 53,590</u>
Operating Income (Loss)	<u>\$ (149,113)</u>	<u>\$ (81,820)</u>	<u>\$ (67,293)</u>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF REVENUES AND EXPENSES – BUDGET TO ACTUAL (CASH BASIS BUDGET)
FOR THE YEAR ENDED JUNE 30, 2015**

	Actual <u>(Cash Basis)</u>	Budget <u>(Cash Basis)</u>	Variance Favorable/ <u>(Unfavorable)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest Income	\$ 66	\$ 82	\$ (16)
Investment Income	656	472	184
TECB - Grants & Reimbursements	72,443	58,843	13,600
Cost Sharing	13,500	13,500	0
Loan Costs	(350)	(350)	0
Interest Expense	(1,210)	(6,000)	4,790
Total Nonoperating Revenues (Expenses)	<u>\$ 85,105</u>	<u>\$ 66,547</u>	<u>\$ 18,558</u>
CASH BASIS NET INCOME (LOSS)	<u>\$ (63,979)</u>	<u>\$ (15,273)</u>	<u>\$ (48,706)</u>
 RECONCILIATION OF CASH BASIS TO ACCRUAL BASIS			
Cash Basis Net Income (Loss)	\$ (63,979)		
Depreciation Expense	(188,273)		
Increase in Current Receivables	57,509		
Increase in Prepaid Expenses	22,451		
Decrease in Accounts Payable	12,702		
Increase in Accrued Payroll	(533)		
Increase in Compensated Absences Payable	(1,737)		
Increase in Accrued Payroll Deductions Payable	<u>(173)</u>		
INCREASE (DECREASE) IN NET POSITION (ACCRUAL)	\$ (162,033)		
NET POSITION - BEGINNING OF YEAR	<u>975,764</u>		
NET POSITION - END OF YEAR	<u>\$ 813,731</u>		

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

**INTERNAL CONTROL AND
COMPLIANCE AND OTHER MATTERS**

JUNE 30, 2015

CERTIFIED PUBLIC ACCOUNTANTS

Joe Savage
Marie I. Niekerk
Josh Stone
Earl O. Wright - 1988 - 2002

Stephen J. Parsons - Retired
Catherine R. Hulme
Rebecca Hutsell
William R. Scandlyn - 1988 - 1999

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

The Board of Directors of
Cumberland County Emergency Communications
District of Cumberland County, 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 Cumberland County Emergency Communications District of Cumberland County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Cumberland County Emergency Communications District of Cumberland County, Tennessee's basic financial statements and have issued our report thereon dated December 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cumberland County Emergency Communications District of Cumberland County, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cumberland County Emergency Communications District of Cumberland County, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of Cumberland County Emergency Communications District of Cumberland County, Tennessee'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 Cumberland County Emergency Communications District of Cumberland County, Tennessee'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings, recommendations, and questioned costs as item Finding 11-01.

Cumberland County Emergency Communications District of Cumberland County, Tennessee's Response to Finding

Cumberland County Emergency Communications District of Cumberland County, Tennessee's response to the finding identified in our audit is described in the accompanying Schedule of Findings, Recommendations, and Responses. Cumberland County Emergency Communications District of Cumberland County, Tennessee'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Parsons & Wright, CPAs

Parsons & Wright
Certified Public Accountants
Kingston, Tennessee

December 10, 2015

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND RESPONSES
JUNE 30, 2015**

PRIOR YEAR FINDING - UNRESOLVED

Finding 11-01 – Actual Amounts Exceed Budgeted Amounts

At the line-item level certain actual amounts exceed the budgeted amounts.

Tennessee Code Annotated, Section 7-86-120, states that no emergency communications district may spend monies, regardless of their source, except in accordance with an adopted budget.

Recommendation:

Management should periodically review actual to budgeted reports to ascertain that expenditures are being made within the budgeted amounts. The budget should be amended before additional expenditures are made in excess of the budgeted amounts.

Management's Response:

We will monitor budgeted amounts more closely and will amend the budget as the need arises.

Current Status:

This is a repeat finding by the District that has not been corrected. We will continue to monitor.