

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Financial Statement  
For the Fiscal Year Ended June 30, 2015

Audited by:



Introduction Section

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
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For the Fiscal Year Ended June 30, 2015

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*Unicoi County 9-1-1  
Post Office Box 548  
Erwin, Tennessee 37650  
(423) 743-1850*

August 26, 2015

To the State of Tennessee - Comptroller of the Treasury  
The Residents of Unicoi County

State law requires all entities operating in the public sector publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with Auditing Standards generally accepted in the United States of America. Pursuant to that requirement, we hereby issue the annual financial report of the Unicoi County Emergency Communications District (the District).

The District, a component unit of Unicoi County, began operations in 1999 and operates as directed by Tennessee Code Annotated Section 7-86.

As a proprietary (enterprise) fund, the District is required to use the economic resources measurement focus and accrual basis of accounting. As an enterprise fund, legal requirements and management policy require that the full cost of providing services (including capital costs), be recovered through revenues earned. In addition to the notes, the basic financial statements include the statement of net position, statement of revenues, expenses, and changes in fund net position; and statement of cash flows.

If you have questions about this report or need additional information, contact the District's board members at Unicoi County Emergency Communications District, P.O. Box 548, Erwin, Tennessee 37650.

Respectfully Submitted,

The Board of Directors

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Roster of Board Members and Management  
June 30, 2015

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

Management

Patsy Ledford	Director
Myron Edwards	Assistant Director

Management Discussion and Analysis Section

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Management's Discussion and Analysis  
June 30, 2015

As management of the Unicoi County Emergency Communications District (the District), a component unit of Unicoi County, Tennessee, we offer readers of the District financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,115,115 (*net position*). Of this amount, \$532,601 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors. The balance of the net position was the net investment in capital assets.
- The total net position increased by \$195,864, with \$32,461 from operations and \$163,403 from non-operating activity.
- The District's total debt decreased by \$36,327 during the current fiscal year. The net decrease was attributable to the timing of year end accrued expenses.
- At year end, the District did not have any deferred inflows or deferred outflows of resources.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The financial statements can be found on pages 12-22.

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

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

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Management's Discussion and Analysis (Continued)  
June 30, 2015

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 17-22 of this report.

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

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the financial direction of the organization. In the case of the District, net position was \$1,115,115 at June 30, 2015, an increase of \$195,864 over the net position of the prior year.

A portion of the District's net position (52 percent) reflects its investment in capital assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Management's Discussion and Analysis (Continued)  
June 30, 2015

Unicoi County Emergency Communications District  
Net Position

	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 544,953	\$ 663,733
Capital Assets	582,514	304,197
Total Assets	<u>\$ 1,127,467</u>	<u>\$ 967,930</u>
Deferred Outflows of Resources	\$ 0	\$ 0
Current Liabilities	\$ 12,352	\$ 48,679
Total Liabilities	<u>\$ 12,352</u>	<u>\$ 48,679</u>
Deferred Inflows of Resources	\$ 0	\$ 0
Net Position:		
Net Invested in Capital Assets	\$ 582,514	\$ 304,197
Restricted - Grantor Imposed	0	101,226
Unrestricted	532,601	513,828
Total Net Position	<u>\$ 1,115,115</u>	<u>\$ 919,251</u>

District Activities. Activities increased the District's net position by \$195,864. Key elements of this increase are as follows:

Unicoi County Emergency Communications District  
Changes in Net Position

	<u>2015</u>	<u>2014</u>
Revenues:		
Operating Revenue	\$ 374,371	\$ 366,653
Nonoperating Revenue	228,294	211,532
Total Revenues	<u>\$ 602,665</u>	<u>\$ 578,185</u>
Expenses:		
Operating Expenses	\$ 341,910	\$ 284,284
Nonoperating Expenses	64,891	0
Total Expenses	<u>\$ 406,801</u>	<u>\$ 284,284</u>
Change in Net Position	\$ 195,864	\$ 293,901
Net Position - Beginning	919,251	625,350
Net Position - Ending	<u>\$ 1,115,115</u>	<u>\$ 919,251</u>

Cash Flows

Net cash from operating activities during the year ended June 30, 2015, was \$65,388, a decrease of \$85,766 from the prior year amount. This decrease was principally due to the use of cash to decrease operating accrued expense.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Management's Discussion and Analysis (Continued)  
June 30, 2015

The cash flow from noncapital financing activity increased by \$16,434. Noncapital financing activity included non-recurring payments from the Tennessee Emergency Communications Board (TECB) to cover relocation expenses and the conversion to the next generation technologies of \$192,796 in 2015 and \$168,862 in 2014. However, noncapital financing activity was decreased by the reduction of the contribution from the Town of Unicoi from \$7,500 in 2014 to \$0 in 2015.

Net cash used by capital and financial activities included the purchase of capital assets of \$403,527. The cash assets from 2014 that made up the restricted net position at June 30, 2014 of \$101,226 and the current year non-recurring payments from the Tennessee Emergency Communications Board (TECB) of \$192,796 partly funded the acquisition of the capital assets.

Net cash from investing activities for the year ended June 30, 2015 consisted of interest income.

Budgetary Highlights

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

- The budget, which was approved at the beginning of the year, was amended near year end.
- Revenues budgeted were not amended to reflect the changes from the District collecting Emergency Telephone Service Charges, Tennessee Emergency Communications (TECB), Shared Wireless Charges, TECB Operating Fund, and other recurring receipts that were in effect until December 31, 2014. Starting January 1, 2015, the TECB received all subscriber fee revenue from E-911 service charges and began making distributions of 911 surcharges at a fixed base amount each month.
- Actual changes in net position exceeded the budgeted amount by \$156,185.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for the year ended June 30, 2015 increased by \$278,316 (new assets purchased of \$403,526 less the book value of retirements of \$64,891 and current year depreciation of \$60,319). The retirements and additions consist of relocation items and equipment updates to the Next Generation technology.

The District had no long-term debt as of June 30, 2015.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Management's Discussion and Analysis (Continued)  
June 30, 2015

Requests for Information

This financial report is designed to provide a general overview of the Unicoi County Emergency Communications District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Commissioners, Unicoi County Emergency Communications District, P.O. Box 548, Erwin, Tennessee 37650.

Respectfully Submitted,  
The Board of Commissioners

Financial Section



August 26, 2015

Independent Auditor's Report

Board of Commissioners  
Unicoi County Emergency Communications District  
Erwin, Tennessee

**Report on the Financial Statements**

We have audited the accompanying financial statements of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee, as of and for the year ended June 30, 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 accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

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

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Boards, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee. The introduction section and the supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements. The Schedule of Revenue & Expenses - Budget to Actual is the responsibility of management and is derived from and

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

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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2015, on our consideration of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee's internal control over financial reporting and compliance.

*Appalachian CPA, PC*

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EIN 62-1337124

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Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Statement of Net Position  
June 30, 2015

Assets

Current Assets:

Cash and Cash Equivalents	\$ 486,671
Certificate of Deposit	54,831
Prepaid Expenses	3,451
Total Current Assets	\$ 544,953

Capital Assets (Net of Depreciation):

Leasehold Improvements	\$ 59,980
Communications Equipment	507,812
Office Equipment	14,722
Total Capital Assets (Net of Depreciation)	\$ 582,514

Total Assets \$1,127,467

Deferred Outflows of Resources: \$ 0

Liabilities

Current Liabilities:

Accounts Payable	\$ 2,397
Accrued Expenses	9,955
Total Current Liabilities	\$ 12,352

Total Liabilities \$ 12,352

Deferred Inflows of Resources: \$ 0

Net Position

Investment in Capital Assets	\$ 582,514
Unrestricted	532,601
	<u>532,601</u>

Total Net Position \$1,115,115

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

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin Tennessee  
Statement of Revenue, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30, 2015

Operating Revenues

Emergency Telephone Service Charge	\$	56,615
Tennessee Emergency Communications Board- Shared Wireless Charge		25,091
Tennessee Emergency Communications Board- Operational Funding		71,430
Tennessee Emergency Communications Board- GIS/TIPS		34,877
Tennessee Emergency Communications Board- Dispatcher Training		4,000
Tennessee Emergency Communications Board- 911 Surcharges (Base Amount)		<u>182,358</u>
Total Operating Revenues	\$	<u>374,371</u>

Operating Expenses

Salaries and Wages - Contract Employees

Director	\$	36,985
Assistant Director		28,873
Dispatchers		<u>131,656</u>
Total Salaries and Wages - Contract Employees	\$	<u>197,514</u>

Contracted Services

Accounting Services	\$	6,000
Audit Services		5,000
Maintenance Agreements		1,995
Lease/Rental Office Equipment		3,677
Maintenance and Repairs - Building & Facilities		355
Maintenance and Repairs - Vehicles		292
Maintenance and Repairs - Communications Equipment		<u>1,111</u>
Total Contracted Services	\$	<u>18,430</u>

Supplies and Materials

Office Supplies	\$	9,284
Data Processing Supplies		2,300
Postage		106
Uniforms & Shirts		1,838
Utilities - General Telephone		45,316
Utilities - Cell Phones and Pagers		<u>991</u>
Total Supplies and Materials	\$	<u>59,835</u>

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin Tennessee  
Statement of Revenue, Expenses, and Changes in Net Position (Continued)  
For the Fiscal Year Ended June 30, 2015

<u>Other Charges</u>	
Training Expense	\$ 1,371
Dues & Memberships	256
Premiums on Surety Bonds	127
Insurance Equipment	50
Travel Expense	4,008
Total Other Charges	<u>\$ 5,812</u>
<u>Depreciation</u>	
Depreciation Expense	\$ 60,319
Total Depreciation	<u>\$ 60,319</u>
Total Operating Expenses	<u>\$ 341,910</u>
<u>Operating Income (Loss)</u>	<u>\$ 32,461</u>
<u>Nonoperating Revenues and (Expenses)</u>	
Interest Income	\$ 283
Contributions from Other Governments	35,000
Tennessee Emergency Communications Board- Grants and Reimbursements	192,796
Miscellaneous Income	215
Loss on Disposal of Property	(64,891)
Total Nonoperating Revenues and (Expenses)	<u>\$ 163,403</u>
<u>Increase (Decrease) in Net Position</u>	<u>\$ 195,864</u>
<u>Total Net Position - Beginning of Year</u>	<u>919,251</u>
<u>Total Net Position - End of Year</u>	<u>\$ 1,115,115</u>

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

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Statement of Cash Flows  
For the Year Ended June 30, 2015

<u>Cash Flows from Operating Activities</u>	
Cash Received from Surcharges and Other Revenues	\$ 385,018
Cash Payments to Suppliers for Goods and Services	(84,508)
Cash Payments for Payroll, Taxes and Related Benefits	<u>(235,122)</u>
Net Cash Provided from Operating Activities	<u>\$ 65,388</u>
 <u>Cash Flows from Noncapital Financing Activities</u>	
Grants/Reimbursements TECB	\$ 192,796
Contributions from Other Governments	<u>35,000</u>
Net Cash Provided from Noncapital Financing Activities	<u>\$ 227,796</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Purchase of Capital Assets	\$ (403,527)
Net Cash Used for Capital and Related Financing Activities	<u>\$ (403,527)</u>
 <u>Cash Flows from Investing Activities</u>	
Purchase of Investment Securities	\$ (59)
Interest Income Received	<u>283</u>
Net Cash Provided from Investing Activities	<u>\$ 224</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	\$ (110,119)
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>596,790</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 486,671</u>

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Statement of Cash Flows (Continued)  
For the Year Ended June 30, 2015

Reconciliation of Net Operating Income (Loss) to Net Cash

Provided by (Used for) Operating Activities

Operating Income (Loss)	\$ 32,461
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation Expense	60,319
Changes in Assets and Liabilities	
(Increase) Decrease in Current Receivables	10,432
(Increase) Decrease in Prepaid Expenses	(1,712)
Increase (Decrease) in Accounts Payable	1,281
Increase (Decrease) in Accrued Payroll	(37,608)
Miscellaneous Income	215
Net Cash Provided by Operating Activities	<u>\$ 65,388</u>

Reconciliation of Cash with Statement of Cash Flows

Cash Per Statement of Net Position	\$ 486,671
Investments with Original Maturity of 3 Months or Less	<u>0</u>
Cash and Cash Equivalents June 30, 2015	<u>\$ 486,671</u>

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

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements  
June 30, 2015

Note 1 General Information and Significant Accounting Policies

The Organization

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

From July 1, 2014 to December 31, 2014, operating revenue consists of Emergency Telephone Service Charges, Tennessee Emergency Communications (TECB), Shared Wireless Charges, TECB Operating Fund, and other recurring receipts. Subscriber fee revenue from E-911 service charges for telephone landlines were recognized in the period in which monthly subscribers fees were billed by the service supplier. Revenue from the TECB Shared Wireless Charges, which consist of 25% of the revenue generated by the state board, the TECB Operating Fund and other recurring receipts were received by the District monthly.

After December 31, 2014, the TECB received all subscriber fee revenue from E-911 service charges and will be required to make distributions of 911 surcharges at a fixed base amount every two months. From time to time other funds will be received from the TECB as distributions of excess revenues.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements (Continued)  
June 30, 2015

Note 1 General Information and Significant Accounting Policies (Continued)

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

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

Budget and Budgetary Accounting

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

Cash and Cash Equivalent

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

Deposits and Investments

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

Accounts Receivable

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

Prepaid Expenses

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

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements (Continued)  
June 30, 2015

Note 1 General Information and Significant Accounting Policies (Continued)

Capital Assets

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

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

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

Advertising

Advertising costs are expensed as incurred.

Net Position

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

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

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

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

Use of Estimates

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

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements (Continued)  
June 30, 2015

Note 2 Bank Deposits

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

Note 3 Receivables

Prior to December 31, 2014, accounts receivable consisted of various surcharges levied on telephone services which were collected by the service provider and remitted to the District in subsequent months. Effective January 1, 2015, all surcharges levied on telephone services were remitted to the Tennessee Emergency Communications (TECB) to fund their distributions to the local District. Since the base amount to be paid is not related to, nor contingent upon, the amount collected by TECB, there will be no revenue recorded as an account receivable at the end of the year.

Note 4 Related Party Transaction

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

The District is a component unit of Unicoi County, Tennessee. The District staff are employees of Unicoi County. The District reimburses the County for their director's salary and one half of the other employee's payroll costs. The salary and wage reimbursement cost for the year was \$197,514 of which \$9,955 was payable at year end. Unicoi County also provides space to house the operations of the District rent free.

Note 5 Risk Management

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

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements (Continued)  
June 30, 2015

Note 6 Inter-Local Agreement

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

The District has inter-local agreements with the Town of Erwin and the Town of Unicoi under which the Towns agree to assist in the funding of the District operations. In the current year, the Town of Erwin contributed \$35,000 and the Town of Unicoi contributed \$0.

Note 7 Capital Assets

Capital asset additions, retirements, and balances for the year ended June 30, 2015 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Capital Assets</u>				
Equipment Not in Service	\$ 97,464	\$ 0	\$ 97,464	\$ 0
Leasehold Improvements	188,857	3,341	57,6400	134,558
Communications Equipment	637,227	483,696	478,102	642,821
Office Equipment	49,341	13,954	36,810	26,485
Total Capital Assets	<u>\$ 972,889</u>	<u>\$ 500,991</u>	<u>\$ 670,016</u>	<u>\$ 803,864</u>
<u>Less Accumulated Depreciation</u>				
Leasehold Improvements	\$ 88,273	\$ 8,902	\$ 22,597	\$ 74,578
Communications Equipment	534,678	49,685	449,354	135,009
Office Equipment	45,741	1,732	35,710	11,763
Total Accumulated Depreciation	<u>\$ 668,692</u>	<u>\$ 60,319</u>	<u>\$ 507,661</u>	<u>\$ 221,350</u>
Capital Assets, Net	<u>\$ 304,197</u>	<u>\$ 440,672</u>	<u>\$ 162,355</u>	<u>\$ 582,514</u>

Additions to communications equipment includes \$97,464 that was reclassified from equipment not in service.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements (Continued)  
June 30, 2015

Note 8 Subsequent Events

Subsequent events for Unicoi County Emergency Communications District were evaluated by management up to August 26, 2015, which is the financial statement issuance date.

Note 9 Other Required Disclosures

Depreciation expense for the year was \$60,319.

There was no amortization expense for the year.

There was no advertising costs for the year.

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

Supplementary Information

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Schedule of Revenue and Expenses - Budget to Actual  
June 30, 2015

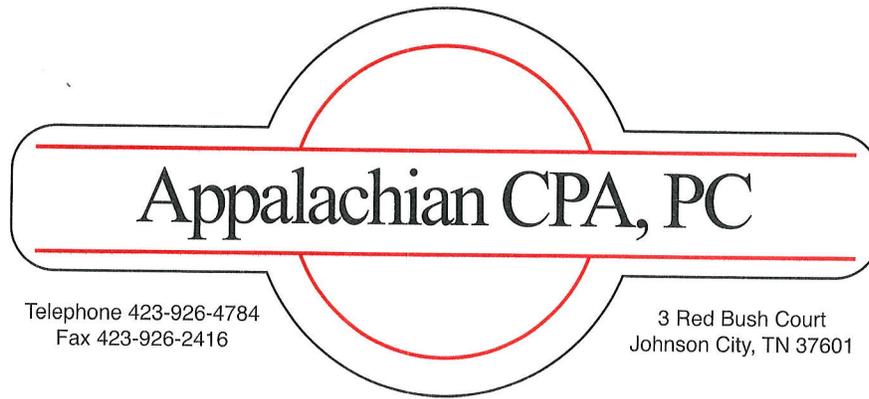
	<u>Budgeted Amounts</u>		<u>Actual Amounts (See Note A)</u>	<u>Favorable (Unfavorable) with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Operating Revenues</u>				
Emergency Telephone Service Charges	\$ 126,000	\$ 126,000	\$ 56,615	\$ (69,385)
TECB - Shared Wireless Charge	41,000	41,000	25,091	(15,909)
TECB - Operational Funding	156,300	156,300	71,430	(84,870)
TECB - GIS/TIPS	41,300	41,300	34,877	(6,423)
TECB - Dispatcher Training	0	0	4,000	4,000
TECB - Distribution of 911 Surcharge Base	0	0	182,358	182,358
Total Operating Revenues	<u>\$ 364,600</u>	<u>\$ 364,600</u>	<u>\$ 374,371</u>	<u>\$ 9,771</u>
<u>Operating Expenses</u>				
<u>Salaries and Wages</u>				
Total Salaries and Wages	<u>\$ 278,607</u>	<u>\$ 226,425</u>	<u>\$ 197,514</u>	<u>\$ 28,911</u>
<u>Contracted Services</u>				
Audit Services	\$ 6,000	\$ 6,000	\$ 5,000	\$ 1,000
Accounting Services	6,000	6,000	6,000	0
Maintenance Agreements	2,000	2,360	1,995	365
NCIC/TBI/TIES Expenses	2,750	2,750	0	2,750
Lease/Rental - Office Equipment	305	5,305	3,677	1,628
Maintenance and Repairs - Communications Equipment	5,000	1,219	1,111	108
Maintenance and Repairs - Vehicles	0	755	292	463
Maintenance and Repairs - Buildings and Facilities	500	650	355	295
Total Contracted Services	<u>\$ 22,555</u>	<u>\$ 25,039</u>	<u>\$ 18,430</u>	<u>\$ 6,609</u>
<u>Supplies and Materials</u>				
Office Supplies	\$ 9,000	\$ 9,500	\$ 9,284	\$ 216
Data Processing Supplies	2,000	2,300	2,300	0
Custodial Supplies	0	400	0	400
Postage	0	106	106	0
Small Equipment Purchases	2,000	0	0	0
Uniforms and Shirts	3,000	3,000	1,838	1,162
Utilities - General Telephone	40,750	46,600	46,307	293
Fuel - Gasoline & Diesel	0	5,000	0	5,000
Total Supplies and Materials	<u>\$ 56,750</u>	<u>\$ 66,906</u>	<u>\$ 59,835</u>	<u>\$ 7,071</u>

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Schedule of Revenue and Expenses - Budget to Actual (Continued)  
June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (See Note A)</u>	<u>Favorable (Unfavorable) with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Other Charges</u>				
Dues and Memberships	\$ 200	\$ 260	\$ 256	\$ 4
Other Charges - Miscellaneous	14,200	7,000	5,556	1,444
Total Other Charges	<u>\$ 14,400</u>	<u>\$ 7,260</u>	<u>\$ 5,812</u>	<u>\$ 1,448</u>
<u>Depreciation</u>				
Depreciation Expense	\$ 42,000	\$ 42,000	\$ 60,319	\$ (18,319)
Total Depreciation	<u>\$ 42,000</u>	<u>\$ 42,000</u>	<u>\$ 60,319</u>	<u>\$ (18,319)</u>
<u>Total Operating Expenses</u>	<u>\$ 414,312</u>	<u>\$ 367,630</u>	<u>\$ 341,910</u>	<u>\$ 25,720</u>
<u>Operating Income (Loss)</u>	<u>\$ (49,712)</u>	<u>\$ (3,030)</u>	<u>\$ 32,461</u>	<u>\$ 35,491</u>
<u>Non-Operating Revenues (Expenses)</u>				
Interest Income	\$ 200	\$ 200	\$ 283	\$ 83
Contributions from Other Governments	42,500	42,500	35,000	0
TECB - Grants & Reimbursements	293,000	293,000	192,796	(100,204)
Miscellaneous Income	10	10	215	0
Loss on Disposal of Property	(293,000)	(293,000)	(64,891)	0
Total Non-Operating Revenues (Expenses)	<u>\$ 42,710</u>	<u>\$ 42,710</u>	<u>\$ 163,403</u>	<u>\$ (100,121)</u>
<u>(Deficit) Excess of Operating Revenues Over Operating Costs and Expenses and Non-Operating Revenues (Expenses)</u>	<u>\$ (7,002)</u>	<u>\$ 39,680</u>	<u>\$ 195,864</u>	<u>\$ 156,184</u>

Internal Control and Compliance Section



August 26, 2015

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

Commissioners of Unicoi County Emergency Communications District  
Erwin, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Unicoi County Emergency Communications District's basic financial statements and have issued our report thereon dated August 26, 2015.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

(Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as Finding 15-1.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Unicoi County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 15-2.

### **Unicoi County Emergency Communications District's Response to Findings**

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

### **Purpose of this Report**

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



Appalachian CPA, PC  
Johnson City, Tennessee

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Schedule of Audit Findings and Responses  
June 30, 2015

Current Year Significant Deficiency:

2015-1: The District's internal controls failed to detect that the surety bond coverage did not comply with the requirements of the Tennessee Code Annotated.

Condition: The annual review of the security bond coverage did not prevent the District's failure to comply with the minimum levels set by the Code.

Criteria: The Tennessee Code Annotated section 7-86-119 states "the minimum amount of required bond shall be determined from the amount of revenues handled by the respective emergency communications district during the last audit approved by the comptroller of the treasury.

Effect: The District internal controls failed to prevent the District from being under insured.

Recommendation: Management should establish a policy to require the necessary computations and adjust the surety bonds coverage each year.

Management's Response: The director has been instructed to make the necessary computations and adjust the surety bonds coverage each year at or near the time the audit is completed.

2015-2: The required surety bond coverage for the District's employees and board members does not comply with the requirements of the Tennessee Code Annotated.

Condition: The actual amount of the surety bond for each required individual was \$50,000. However the required minimum amount of surety bond based on the Code was \$53,901.

Criteria: The Tennessee Code Annotated section 7-86-119 states "the minimum amount of required bond shall be determined from the amount of revenues handled by the respective emergency communications district during the last audit approved by the comptroller of the treasury. The minimum amount of the bond shall be based on revenues as follows:

- (A) Less than fifty thousand dollars (\$50,000) - a base bond of five thousand dollars (\$5,000).
- (B) From fifty thousand dollars (\$50,000) to five hundred thousand dollars (\$500,000) - an amount equal to ten percent (10%) of the revenues handled by the district.
- (C) Five percent (5%) of the excess of five hundred thousand dollars (\$500,000) to one million dollars (\$1,000,000) shall be added."

Effect: The District was under insured.

Recommendation: Management should make the necessary computations and adjust the surety bonds coverage each year.

Management's Response: The director will contact the bonding agent and make arrangements to increase all the bond limits.

Prior Year Significant Deficiencies Implemented:

None