

**CROCKETT COUNTY  
EMERGENCY COMMUNICATIONS DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
TABLE OF CONTENTS**

**Introductory Section**

Schedule of Officials

**Financial Section**

Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
Statement of Net Position .....	7
Statement of Revenues, Expenses and Changes in Net Position .....	8
Statement of Cash Flows.....	9
Notes to Financial Statements .....	10

**Other Supplementary Section**

Budgetary Comparison Schedule .....	15
Schedule of Expenses .....	17

**Internal Control and Compliance Section**

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 <i>Governmental Auditing Standards</i> .....	19
Schedule of Findings and Recommendations .....	21
Schedule of Prior Year Findings and Recommendations .....	22

## **INTRODUCTORY SECTION**

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
JUNE 30, 2015**

**SCHEDULE OF OFFICIALS**

Casey Burnett, Chairperson

Jim Knox, Vice-Chairman

Brent Porter, Board Member

Sherri Gideon, Board Member

Lloyd Johnson, Board Member

Joe Hall, Board Member

Jackie Perry, Board Member

John Copeland, Board Member

William Young, Board Member

**Management Officials**

Chad Reasons, Executive Director

**FINANCIAL SECTION**

**Members of:**

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



Certified Public Accountants  
**Offices in Tennessee & Kentucky**

227 Oil Well Rd.  
Jackson, TN 38305

Phone 731.427.8571  
Fax 731.424.5701  
[www.atacpa.net](http://www.atacpa.net)

---

## Independent Auditor's Report

Board of Directors  
Crockett County Emergency Communications District  
Alamo, Tennessee

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

We have audited the accompanying financial statements of the Crockett County Emergency Communications District, a component unit of Crockett County, Tennessee, as of and for the year ended June 30, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Crockett County Emergency Communications District, as of June 30, 2015, and the 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 3-6 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 an opinion on the financial statements that collectively comprise the Crockett County Emergency Communication District's basic financial statements. The schedule of officials, schedule of expenses and the budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule and the schedule of expenses are the responsibility of management and were derived from and relate 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 statements 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 budgetary comparison schedule and schedule of expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of officials 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 Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2016 on our consideration of the Crockett County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crockett County Emergency Communications District's internal control over financial reporting and compliance.

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
February 12, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Crockett County Emergency Communications District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. All amounts, unless otherwise indicated, are expressed in actual dollars.

### FINANCIAL HIGHLIGHTS

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

- Total assets at year-end were \$919 thousand and exceeded liabilities in the amount of \$909 thousand (i.e. net position). Total assets increased by \$137 thousand.
- Net position increased \$133 thousand during the current year.
- Operating revenues were \$269 thousand, an increase from year 2014 in the amount of \$28 thousand or 11.63%.
- Operating expenses were \$248 thousand, an increase from year 2014 in the amount of \$6 thousand or 2.40%.
- The operating income for the year was \$20,910 as compared to a loss of \$1,315 during the 2014 fiscal year.

### OVERVIEW OF THE ANNUAL FINANCIAL REPORT

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

### REQUIRED FINANCIAL STATEMENTS

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

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

The *Statement of Net Position* presents the financial position of the District on a full accrual, historical cost basis. The statement of net position includes all of the District's assets and liabilities and deferred

inflows/outflows of resources, with the difference reported as net position. It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

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

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

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

## **FINANCIAL ANALYSIS**

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

The District's total net position increased by \$133 thousand for the fiscal year ended June 30, 2015. The analysis below focuses on the District's net position (Table 1) and changes in net position (Table 2) during the year.

Table 1  
**CONDENSED STATEMENT NET POSITION**

	June 30, 2015	June 30, 2014	Increase (Decrease)	
			\$	%
Current and other assets	\$ 746,836	\$ 575,508	\$ 171,328	29.77%
Capital assets	172,074	206,572	(34,498)	-16.70%
Total assets	918,910	782,080	136,830	17.50%
Total liabilities	10,389	6,417	3,972	61.90%
Investment in capital assets	172,074	206,572	(34,498)	-16.70%
Unrestricted net position	736,447	569,091	167,356	29.41%
Total net position	\$ 908,521	\$ 775,663	\$ 132,858	17.13%

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

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

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

	June 30, 2015	June 30, 2014	Increase (Decrease)	
			\$	%
Operating revenues	\$ 269,103	\$ 241,061	\$ 28,042	11.63%
Non-operating revenues	112,323	1,846	110,477	5984.67%
Total revenues	381,426	242,907	138,519	57.03%
Salaries and wages	53,515	54,629	(1,114)	-2.04%
Employee benefits	4,781	5,760	(979)	-17.00%
Contracted services	92,506	75,468	17,038	22.58%
Supplies and materials	8,521	24,330	(15,809)	-64.98%
Other charges	32,782	22,961	9,821	42.77%
Depreciation	56,088	59,228	(3,140)	-5.30%
Non-operating expenses	375	13,593	(13,218)	100.00%
Total expenses	248,568	255,969	(7,401)	-2.89%
Change in net position	132,858	(13,062)	145,920	-1117.13%
Net position, July 1, 2014	775,663	788,725	(13,062)	-1.66%
Net position, June 30, 2015	\$ 908,521	\$ 775,663	\$ 132,858	17.13%

Operating revenues showed an 11.63% increase from 2014 to 2015. Total expenses decreased 2.89% from 2014 to 2015. The decrease in expenses is primarily due to changes in staff and budgeting as a result of the prior year state investigation

## CAPITAL ASSETS

At the end of the fiscal year 2015, the system had \$172 thousand (net of accumulated depreciation) invested in a broad range of District capital assets. This investment includes automobiles, equipment and various fixtures and pieces of furniture. Based on the uses of the aforementioned assets, they are classified for financial purposes as leasehold improvements, furniture and fixtures, office equipment, and communication equipment. This investment represents an overall decrease (net of increases and decreases) of \$34 thousand or 16.70% from last year.

The following tables summarize the District's capital assets, net of accumulated depreciation, and changes therein, for the year ended June 30, 2015. These changes are presented in detail in Note 2B to the financial statements.

<b>CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION</b>				
	June 30,	June 30,	Increase (Decrease)	
	2015	2014	\$	%
Land	\$ 50,279	\$ 50,279	\$ -	0.00%
Leasehold Improvements	1,111	1,503	(392)	100.00%
Furniture and fixtures	1,300	1	1,299	0.00%
Office equipment	1,914	3,008	(1,094)	-36.37%
Communication equipment	<u>117,470</u>	<u>151,781</u>	<u>(34,311)</u>	<u>-22.61%</u>
Total capital assets, net of accumulated depreciation	<u>\$ 172,074</u>	<u>\$ 206,572</u>	<u>\$ (34,498)</u>	<u>-16.70%</u>

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Due to the State taking over the collection of all revenues for the districts, revenues are expected to level out to a flat payment in the next years. The district will continue to upgrade its systems and monitor expenses in order to maintain profitability.

## CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2015

**Assets**

Current assets

Cash and cash equivalents	\$	746,549
Accrued interest receivable		237
Prepaid expenses		50
Total current assets		746,836

Noncurrent assets

Capital assets

Building and improvements		2,744
Land		50,279
Furniture and fixtures		5,487
Office equipment		9,932
Communication equipment		522,781
Accumulated depreciation		(419,149)
Net capital assets		172,074

**Total assets**

**918,910**

**Liabilities**

Accounts payable		5,858
Accrued payroll		3,051
Payroll taxes payable		1,480
Total current liabilities		10,389

**Total liabilities**

**10,389**

**Net Position**

Investment in capital assets		172,074
Unrestricted net position		736,447
<b>Total net position</b>	<b>\$</b>	<b>908,521</b>

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

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For The Year Ended June 30, 2015

<b>Operating Revenues</b>	
Emergency telephone service charge	\$ 17,887
Unified 911 Funding	251,216
Total operating revenues	269,103
 <b>Operating Expenses</b>	
Salaries and wages	53,515
Employee benefits	4,781
Contracted services	92,506
Supplies and materials	8,521
Other charges	32,782
Depreciation	56,088
Total operating expenses	248,193
Operating income (loss)	20,910
 <b>Non-operating Revenues (Expenses)</b>	
Interest income	2,133
Loss on disposal of property	(375)
Insurance recoveries and other	110,190
Total non-operating revenues (expenses)	111,948
<b>Change in net position</b>	<b>132,858</b>
Net position, July 1, 2014	775,663
Net position, June 30, 2015	\$ 908,521

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

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF CASH FLOWS**  
For The Year Ended June 30, 2015

<b>Cash flows from operating activities</b>	
Cash received from services	\$ 272,345
Cash paid to suppliers of goods and services	(22,849)
Cash paid for employees' services and benefits	<u>(54,079)</u>
Net cash provided (used) by operating activities	<u>195,417</u>
<b>Cash flows from capital and related financing activities</b>	
Acquisition of fixed assets	<u>(21,966)</u>
Net cash provided (used) by financing activities	<u>(21,966)</u>
<b>Cash flows from investing activities</b>	
Purchase of investments	(340,551)
Sale of investments	340,551
Interest on investments	<u>2,162</u>
Net cash provided (used) by investing activities	<u>2,162</u>
<b>Net increase (decrease) in cash</b>	<b>175,613</b>
Cash and cash equivalents-July 1, 2014	<u>570,936</u>
<b>Cash and cash equivalents-June 30, 2015</b>	<b><u>746,549</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	20,910
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	56,088
Changes in assets and liabilities	
Accounts receivable	3,242
Prepaid expenses	1,015
Accounts payable	(245)
Accrued payroll	3,051
Insurance recoveries	110,190
Payroll taxes payable	<u>1,166</u>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ 195,417</u></b>

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

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

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

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

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

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

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

Operating revenues in proprietary funds are those revenues generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. The State has defined grants and reimbursements from TECB to be non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**C. Assets, Liabilities, and Net Position**

**Deposits and investments**

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

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

**Prepaid Items**

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

**Capital assets**

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

**Net Position Flow Assumption**

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

**Net Position**

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

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

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 2 – DETAILED NOTES ON ACCOUNTS**

**A. Deposits and investments**

The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2015, \$531,013 of the District's bank balance was covered by federal depository insurance.

**B. Capital Assets**

Capital asset activity for the year was as follows:

Description	Balance 6/30/14	Additions	Disposals	Balance 6/30/15
Capital assets, not being depreciated				
Land	\$ 50,279	\$ -	\$ -	\$ 50,279
Capital assets, being depreciated				
Buildings	2,744	-	-	2,744
Furniture and fixtures	6,359	1,300	2,172	5,487
Office equipment	10,744	-	812	9,932
Communication equipment	548,212	20,666	46,097	522,781
Total capital assets being depreciated	568,059	21,966	49,081	540,944
Less accumulated depreciation				
Buildings	1,241	392	-	1,633
Furniture and fixtures	6,359	-	2,172	4,187
Office equipment	7,736	1,094	812	8,018
Communication equipment	396,430	54,602	45,721	405,311
Total accumulated depreciation	411,766	56,088	48,705	419,149
Net capital assets	\$ 206,572	\$ (34,122)	\$ 376	\$ 172,074

Depreciation expense for the year was \$56,088.

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 3 – STEWARDSHIP, COMPLIANCE, and ACCOUNTABILITY**

**Budgetary Information**

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

Expenditures exceeded the budgetary authorization in the following amounts:

<u>Expense</u>	<u>Overage</u>	<u>Expense</u>	<u>Overage</u>
Salaries and wages		Supplies and materials	
Director	8,593	Office supplies	2,038
Administrative personnel	3,740	Telephone	1,888
GIS mapping	14,131	Electric	1,205
Employee benefits		Gas	246
Payroll expenses	3,781	Water & Sewer	197
Contracted services		Supplies and materials	
Audit services	2,378	Cable	510
Other	250	Other charges	
Fees to providers	19,378	Insurance-workman's comp	1,036
Legal services	6,096	Insurance-equipment	17,367
Maintenance agreements	5,738	Insurance-vehicle	58
Lease - office equipment	1,034	Premiums on surety bonds	175
Rent	2,400	Training expenses	41
Pest control	209	Travel expenses	789
Administrative expense	1,875	Internet	1,091
Maintenance and repairs:		Other expense	44
Communications equipment	15,707	Depreciation	23,588
Buildings	83		
Office equipment	48		

**NOTE 4 – OTHER INFORMATION**

**Funding sources**

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

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

**Commitments**

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

**Risk management**

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

**Cash Shortages and Thefts**

An investigative report issued by the Tennessee Comptroller of the Treasury in January of 2014 revealed that from July of 2010 through August of 2013, the Bookkeeper fraudulently issued checks totaling \$88,764 for personal use. The amount prior to July 1, 2013 totaled \$79,709. Subsequent to June 30, 2013 and during the period July 1, 2013 through August 2013 there was an additional \$9,055 for a total theft of \$88,764. As of April of 2014, litigation and sentencing have been carried out against the Bookkeeper in relation to the theft. Insurance and surety bond reimbursements were received during the year ended June 30, 2015 in the amount of \$110,190.

**NOTE 5 – OTHER MATTERS**

Effective January 1, 2015, service fees assessed to non-wireless telephone subscribers in the County are remitted by the collecting telephone companies directly to the Tennessee Emergency Communications Board (TECB). The TECB allocates the collected revenue by jurisdiction and makes payments to the local emergency communications districts. Prior to January 1, 2015, the District collected revenues from individual telephone companies one month in arrears of the time the charges were actually assessed to telephone subscribers and therefore always had one month of accrued, uncollected revenue receivable at the end of any month. At point of the change in the collection process mandated by the TECB, their decision was to account for revenues on an as-collected basis so the District did not and will not collect the accrued revenues for December, 2014. The effect of this change is to reflect only eleven months of revenue from non-wireless subscribers in the fiscal year ended June 30, 2015. This change did not affect operating cash flows as there were twelve months of actual collections of revenues.

## **OTHER SUPPLEMENTARY SECTION**

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

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

For The Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance Over (Under)
<b>Operating revenues</b>				
Emergency telephone service charge	\$ -	\$ -	\$ 21,128	\$ 21,128
Unified 911 funding	123,474	123,474	264,983	141,509
	<u>123,474</u>	<u>123,474</u>	<u>286,111</u>	<u>162,637</u>
<b>Operating expenses</b>				
Salaries and wages				
Director	24,000	24,000	32,593	8,593
Administrative personnel	-	-	3,740	3,740
Part-time	12,000	12,000	-	(12,000)
GIS mapping	-	-	14,131	14,131
Employee benefits				
Payroll expenses	2,250	2,250	6,031	3,781
Contracted services				
Audit services	4,560	4,560	6,938	2,378
Other	50	50	300	250
Fees to providers	3,000	3,000	22,378	19,378
Legal services	450	450	6,546	6,096
Maintenance agreements	10,613	10,613	16,351	5,738
Lease - office equipment	500	500	1,534	1,034
Rent	2,400	2,400	4,800	2,400
Pest control	90	90	299	209
Administrative expense	-	-	1,875	1,875
Maintenance and repairs:				
Communications equipment	3,125	3,125	18,832	15,707
Buildings	250	250	333	83
Office equipment	125	125	173	48
Vehicles	375	375	271	(104)
Fuel	450	450	351	(99)
Emergency telephone service	9,087	9,087	8,574	(513)
Supplies and materials				
Office supplies	250	250	2,288	2,038
Postage	250	250	-	(250)
Small equipment purchases	1,750	1,750	217	(1,533)
Uniforms	150	150	-	(150)
GIS supply	100	100	-	(100)
Telephone	558	558	2,445	1,888
Cell and pagers	600	600	523	(77)
Electric	1,150	1,150	2,355	1,205
Gas	500	500	746	246
Water & Sewer	175	175	372	197

*See independent auditor's report.*

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

For The Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Supplies and materials				
Cable	\$ -	\$ -	\$ 510	\$ 510
Other supply	1,250	1,250	16	(1,234)
Fax	550	550	176	(374)
Miscellaneous	3,000	3,000	423	(2,577)
Other charges				
Dues and memberships	320	320	290	(30)
Insurance-workman's comp	2,250	2,250	3,286	1,036
Insurance-liability	1,470	1,470	-	(1,470)
Insurance-equipment	754	754	18,121	17,367
Insurance-vehicle	481	481	539	58
Premiums on surety bonds	397	397	572	175
Public education	1,000	1,000	-	(1,000)
Service awards	125	125	65	(60)
Training expenses	3,250	3,250	3,291	41
Travel expenses	2,250	2,250	3,039	789
Internet	1,750	1,750	2,841	1,091
Miscellaneous	900	900	265	(635)
Other expense	-	-	44	44
Depreciation	32,500	32,500	56,088	23,588
Total operating expenses	131,055	131,055	244,562	113,508
Operating income (loss)	(7,581)	(7,581)	41,549	49,130
<b>Non-operating revenues (expenses)</b>				
Interest income	1,000	1,000	2,162	1,162
Insurance recoveries and reimbursements	-	-	96,423	96,423
Loss on disposal of property	750	750	(375)	(1,125)
Total non-operating revenues (expenses)	1,750	1,750	98,210	96,460
<b>Change in net position</b>	<b>\$ (5,831)</b>	<b>\$ (5,831)</b>	<b>\$ 139,759</b>	<b>\$ 145,590</b>
<b>Reconciliation To GAAP</b>				
Net income-budgetary basis			\$ 139,759	
Adjustments for:				
Revenues to accrual basis			(3,270)	
Expenses to accrual basis			(3,631)	
Change in Net Position-GAAP basis			<b>\$ 132,858</b>	

*See independent auditor's report.*

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

For The Year Ended June 30, 2015

Salaries and wages	
Director	\$ 34,809
Administrative personnel	4,575
GIS mapping	14,131
	<u>\$ 53,515</u>
Employee benefits	
Payroll expenses	<u>\$ 4,781</u>
Contracted services	
Audit services	11,738
Other	300
Fees to providers	22,378
Legal services	7,604
Maintenance agreements	16,351
Lease - office equipment	1,534
Rent	4,800
Pest control	250
Maintenance and repairs:	
Communications equipment	15,974
Buildings	333
Office equipment	173
Vehicles	271
Administrative expense	1,875
Fuel	351
Emergency telephone service	8,574
	<u>\$ 92,506</u>
Supplies and materials	
Office supplies	1,212
Telephone	2,445
Cell and pagers	345
Electric	2,309
Gas	740
Water & Sewer	345
Cable	510
Other supply	16
Fax	176
Miscellaneous	423
	<u>\$ 8,521</u>

*See independent auditor's report.*

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

For The Year Ended June 30, 2015

Other charges		
Dues and memberships	\$	290
Insurance-workman's comp		3,286
Insurance-equipment		18,121
Insurance-vehicle		539
Premiums on surety bonds		1,587
Service awards		65
Training expenses		2,876
Travel expenses		3,039
Internet		2,754
Awards and gifts		181
Other expense		44
	<u>\$</u>	<u>32,782</u>

*See independent auditor's report.*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

**Members of:**

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



Certified Public Accountants  
**Offices in Tennessee & Kentucky**

227 Oil Well Rd.  
Jackson, TN 38305

Phone 731.427.8571  
Fax 731.424.5701  
[www.atacpa.net](http://www.atacpa.net)

---

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

Board of Directors  
Crockett County Emergency Communications District  
Alamo, Tennessee

We 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 Crockett County Emergency Communications District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Crockett County Emergency Communications District's basic financial statements, and have issued our report thereon dated February 12, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Crockett 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crockett County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Crockett County Emergency Communications District's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and recommendations to be material weaknesses: 2015-001.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Crockett County Emergency Communications District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and recommendations as item 2015-002.

## **District's Response to Findings**

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

## **Purpose of this Report**

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

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

Jackson, Tennessee  
February 12, 2016

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

June 30, 2015

**Current Year Findings**

**2015-001      Lack of supporting documentation on Disbursements (Material Weakness)**

Condition: During the year ended June 30, 2015, Auditor was not able to procure from the client, supporting documentation on credit card purchases other than the credit card statement.

Criteria: The Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts requires that records be maintained that provide reliable information upon which to base management decisions and the preparation of financial statements in accordance with generally accepted accounting principles.

Effect: The District has disbursements not adequately supported in accordance with state statute.

Recommendation: We recommend the District obtain and retain supporting documentation in the form of invoices and receipts on all disbursements for the District.

Response: We will obtain and retain supporting documentation for all disbursements in future periods.

**2015-002      Budget Amendments (Compliance and Other Matters)**

Condition: During the year ended June 30, 2015, several line items of expenditures exceeded their budgeted amounts described in note 3 of this report.

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

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

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

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

**CROCKETT COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
June 30, 2015

**Prior Year Findings**

- 2014-001      Cash Shortages and Theft, original finding #2013-001, corrected.**
- 2014-002      Segregation of Duties, original finding #1998-001, corrected.**
- 2014-003      Budget Amendments, original finding #2001-003, repeated.**