

**FAYETTE COUNTY
EMERGENCY COMMUNICATIONS DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2015**

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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INTRODUCTORY SECTION

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OFFICIALS**
June 30, 2015

Connie Doyle, Chairman
Ray Seals, Co-Chairman
Danny Daniel, Secretary
Will Bowling
Bobby Riles
Tommy Perkins
Jean Watkins
Jeff Whitehorn

Management Official

Carolann Mason, Executive Director

Independent Certified Public Accountants

Alexander Thompson Arnold PLLC
Jackson, Tennessee

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



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Independent Auditor's Report

Board of Directors
Fayette County Emergency Communications District
Somerville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Fayette County Emergency Communications District, a component unit of Fayette 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 Fayette 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.

Change in Accounting Principle

As discussed in Note 1, to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions made subsequent to the Measurement Date – an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules relating to pensions on pages 4-7 and 22-24 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 Fayette County Emergency Communication District's basic financial statements. The schedule of officials 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 is the responsibility of management and was derived from and relates 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 is 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 January 18, 2016 on our consideration of the Fayette 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 Fayette County Emergency Communications District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
January 18, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Fayette 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 \$2.13 million and exceeded liabilities in the amount of \$2.12 million (i.e. net position).
- Net position increased \$75 thousand during the current year.
- Operating revenues were \$537 thousand, an increase from year 2014 in the amount of \$14 thousand or 2.66%.
- Operating expenses were \$461 thousand, a decrease from year 2014 in the amount of \$45 thousand or 8.87%.
- The operating income for the year was \$76 thousand as compared to a \$18 thousand during the 2014 fiscal year.
- The ratio of operating income to total operating revenue was .14 for 2015 and .03 for 2014.

OVERVIEW OF THE COMPREHENSIVE 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 and other 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 supplementary and other 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 auditors' report, the financial statements with accompanying notes, and the required supplementary information. The supplementary and other information section includes selected 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-term 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, 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 Revenue, Expenses and Changes in Net Position* presents 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 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 Fund 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 \$75 thousand for the fiscal year ended June 30, 2015. The analysis on the following page focuses on the District's net position (Table 1) and changes in net position (Table 2) during the year.

TABLE 1
CONDENSED STATEMENT OF NET POSITION

	June 30, 2015	June 30, 2014	Increase (Decrease)	
			\$	%
Current and other assets	\$ 1,722,892	\$ 1,566,750	\$ 156,142	9.97%
Capital assets	411,140	483,721	(72,581)	-15.00%
Total assets	<u>2,134,032</u>	<u>2,050,471</u>	<u>83,561</u>	<u>4.08%</u>
Deferred outflows of resources	11,452	-	11,452	100.00%
Non-current liabilities	12,928	-	12,928	100.00%
Other liabilities	4,690	2,176	2,514	115.53%
Total liabilities	<u>17,618</u>	<u>2,176</u>	<u>15,442</u>	<u>709.65%</u>
Deferred inflows of resources	4,794	-	4,794	100.00%
Net position:				
Investment in capital assets	411,140	483,721	(72,581)	-15.00%
Unrestricted net position	1,711,932	1,564,574	147,358	9.42%
Total net position	<u>\$ 2,123,072</u>	<u>\$ 2,048,295</u>	<u>\$ 74,777</u>	<u>3.65%</u>

The decrease in capital assets is due to depreciation expense in the current year. The increase in current and other assets was due to an increase in cash during the year, resulting in an overall increase in net position for the year.

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

TABLE 2
CONDENSED STATEMENT OF INCOME, EXPENSES
AND CHANGES IN FUND NET POSITION

	June 30, 2015	June 30, 2014	Increase (Decrease)	
			\$	%
Operating revenues	\$ 537,532	\$ 523,627	\$ 13,905	2.66%
Non-operating revenues	8,268	11,392	(3,124)	-27.42%
Total revenues	<u>545,800</u>	<u>535,019</u>	<u>10,781</u>	<u>2.02%</u>
Salaries and wages	57,591	63,839	(6,248)	-9.79%
Employee benefits	13,597	17,896	(4,299)	-24.02%
Contracted services	255,684	296,973	(41,289)	-13.90%
Supplies and materials	19,919	22,436	(2,517)	-11.22%
Other charges	41,792	30,786	11,006	35.75%
Depreciation & Amortization	72,582	74,129	(1,547)	-2.09%
Total expenses	<u>461,165</u>	<u>506,059</u>	<u>(44,894)</u>	<u>-8.87%</u>
Change in net position	84,635	28,960	55,675	192.25%
Beginning net position	2,048,295	2,019,335	28,960	1.43%
Restatement of beginning net position	(9,858)	-	(9,858)	100.00%
Beginning net position - restated	<u>2,038,437</u>	<u>2,019,335</u>	<u>19,102</u>	<u>0.95%</u>
Ending net position	<u>\$ 2,123,072</u>	<u>\$ 2,048,295</u>	<u>\$ 74,777</u>	<u>3.65%</u>

Operating revenues showed a 2.66% increase from 2014 to 2015. Expenses decreased from 2014 to 2015 by a total of 8.87%.

CAPITAL ASSETS

At the end of fiscal year 2015, the system had \$411 thousand (net of accumulated depreciation) invested in the District’s capital assets. This investment includes communications and office equipment, an automobile, and various fixtures and pieces of furniture. Based on the uses of the aforementioned assets, they are classified for financial purposes as furniture and fixtures, office equipment, communication equipment and vehicles. The investment represents an overall decrease (net of increases and decreases) of \$73 thousand or 15% over 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 3 to the financial statements.

**TABLE 3
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION**

	June 30, 2015	June 30, 2014	Increase (Decrease)	
			\$	%
Office equipment	\$ 17,425	\$ 22,423	\$ (4,998)	-22.29%
Communication equipment	<u>393,715.00</u>	<u>461,298</u>	<u>(67,583)</u>	-14.65%
Total capital assets, net of accumulated depreciation	<u>\$ 411,140</u>	<u>\$ 483,721</u>	<u>\$ (72,581)</u>	-15.00%

The District plans on using existing and future financial resources to continue upgrading existing systems and equipment.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

With the State of TN’s NG911 system in the final stages of completion, the District will continue to work on moving forward to improve the quality and efficiency of the 9-1-1 system in Fayette County. The 9-1-1 board will continue to manage its funds wisely and to budget accordingly in order to continue the growth of the 9-1-1 system to meet the citizens needs in the county. Due to new policies and practices, the District will only receive the surcharge wireless device fee from the TECB. The District’s surcharge for each wireless device will continue to be \$1.16 due to the State’s standards.

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 Fayette County Emergency Communications District, 705 Justice; Somerville, TN 38068.

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

Assets

Current assets

Cash and cash equivalents	\$ 1,419,817
Investments	275,583
Accrued interest receivable	3,209
Prepaid expenses	<u>24,283</u>
Total current assets	<u>1,722,892</u>

Noncurrent assets

Capital assets

Furniture and fixtures	7,718
Office equipment	51,531
Communication equipment	846,546
Vehicles	<u>22,415</u>
Total capital assets	928,210
Less accumulated depreciation	<u>(517,070)</u>
Net capital assets	<u>411,140</u>

Total assets **2,134,032**

Deferred outflow of resources

Pension contribution	<u>11,452</u>
Total deferred outflow of resources	<u>11,452</u>

Liabilities

Current liabilities

Accounts payable	3,006
Compensated absences payable	<u>1,684</u>
Total current liabilities	<u>4,690</u>

Non-current liabilities

Net pension Liability	<u>12,928</u>
Total Liabilities	<u>17,618</u>

Deferred inflow of resources

Pension changes in investment earnings	<u>4,794</u>
Total deferred inflow of resources	<u>4,794</u>

Net Position

Investment in capital assets	411,140
Unrestricted net position	<u>1,711,932</u>
Total net position	<u>\$ 2,123,072</u>

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

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**

For the Year Ended June 30, 2015

Operating Revenues

Emergency telephone service charge	85,569
Tennessee Emergency Communications Board - shared wireless charge	35,496
Tennessee Emergency Communications Board - operational funding	147,880
Tennessee Emergency Communications Board - operational funding	<u>268,587</u>
Total operating revenues	<u>537,532</u>

Operating expenses

Salaries and wages	
Director	48,462
Administrative personnel	8,129
Pay bonuses - longevity	<u>1,000</u>
Total salaries and wages	<u>57,591</u>

Employee benefits

Social security	3,580
Medicare	837
Medical insurance	7,489
Unemployment compensation	32
Employee retirement	<u>1,659</u>
Total employee benefits	<u>13,597</u>

Contracted services

Contracted services	47
Audit services	4,690
Impact fee	146,600
Legal services	19
Maintenance and repairs:	
Communications equipment	57,080
Viper CAD	32,666
Hyper Reach	9,451
Recorder Maintenance Contract	(438)
Office equipment	1,120
GIS maintenance	1,870
Vehicles	369
Fuel	2,118
Language line	<u>92</u>
Total contracted services	<u>\$ 255,684</u>

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

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**

For the Year Ended June 30, 2015

Supplies and materials	
Office supplies	2,429
Postage	98
Uniforms and Shirts	364
General telephone	14,358
Cell phones and pager	1,140
Internet charges	<u>1,530</u>
Total supplies and materials	<u>19,919</u>
Other charges	
Bank Charges	95
Dues and subscriptions	464
Workers' compensation	(271)
Insurance - liability	13,072
Legal notices	163
Premium on surety bonds	2,646
Training expenses	4,134
Training and dispatch	6,000
Travel expenses	10,809
Miscellaneous expense	<u>4,680</u>
Total other charges	<u>41,792</u>
Depreciation	
Depreciation expense	<u>72,582</u>
Total operating expenses	<u>461,165</u>
Operating income	<u>76,367</u>
Non-operating revenues (expenses)	
Interest income	1,098
Investment income	<u>7,170</u>
Total non-operating revenues (expenses)	<u>8,268</u>
Change in net position	<u>84,635</u>
Net position - July 1, 2014	2,048,295
Restatement of Net Position	<u>(9,858)</u>
Net position - July 1, 2014 Restated	<u>2,038,437</u>
Net position - June 30, 2015	<u>\$ 2,123,072</u>

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

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

Cash flows from operating activities

Cash received from surcharges and other revenues	\$ 552,776
Cash paid to suppliers of goods and services	(304,231)
Cash paid for employees' services and benefits	<u>(74,776)</u>
Net cash provided by (used for) operating activities	<u>173,769</u>

Cash flows from investing activities

Purchase of investments	(275,583)
Sale of investments	270,842
Interest received	<u>8,325</u>
Net cash provided by (used for) investing activities	<u>3,584</u>

Net increase in cash **177,353**

Cash and cash equivalents - July 1, 2014	<u>1,242,464</u>
Cash and cash equivalents - June 30, 2015	<u>\$ 1,419,817</u>

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 76,367
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Depreciation	72,582
Changes in pension related outflows and inflows of resources	(6,658)
Changes in assets and liabilities	
Accounts receivable	15,244
Prepaid expenses	10,650
Accounts payable	2,848
Net Pension Liability	3,070
Compensated absences payable	<u>(334)</u>

Net cash provided by operating activities **\$ 173,769**

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

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Fayette County Emergency Communications District (District) (a component unit of Fayette County, Tennessee) was established by voter referendum in November, 1988, and the assessment of service fees began May 1989.

The purpose of the District is to provide a simplified means of securing emergency services by telephone to those persons living in Fayette County, Tennessee.

The District is considered a component unit of the County because its Board of Directors is appointed by the Fayette County Commission. The Fayette County Commission must approve any long-term debt issuance by the District, and also has the authority to decrease, but not increase, the user fees charged by the District.

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.

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. Investments consist of certificates of deposit.

Accounts Receivable

Accounts receivable represents amounts due from telephone companies for user fees, and amounts due from local customers for dispatch services.

Prepaid Expenses

Prepaid expenses represent amounts paid for insurance and maintenance contracts for terms covering future years.

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

Capital Assets

The capital assets are recorded at historical cost. Maintenance repairs and minor renewals are expensed as incurred.

Depreciation has been provided over the estimated useful lives of the capital assets by the straight-line method. The district considers capitalization of any purchase over a threshold of \$10,000 with an estimated useful life as follows:

Furniture, fixtures, equipment, and vehicles	5 - 20 years
Building improvements	20 years

Compensated Absences

The District allows full-time employees one day of vacation per month. The vacation days will have monetary value, and may be accrued, but only 15 days may be carried over at December 31. A liability is reflected in the financial statements for \$1,684.

The District allows employees to accrue one day per month sick leave. These days can be accrued; however, they have no monetary value, and employees will not be paid for accrued sick days upon termination. Therefore, no liability is reflected in the financial statements.

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 Districts policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net Position

Equity is reported as net position, which is classified into the following components as applicable:

- Investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any payables that are attributable to the acquisition, construction, or improvement of those assets. As of June 30, 2013, the District had no debt.
- Restricted – net position when constraints are placed on their use by external third parties or imposed by law
- Unrestricted – all other net position that do not meet the definition of the other categories.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Fayette County Emergency Communications District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Fayette County Emergency Communications District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions)

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value

Impact of Other Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement 25, and Statement 68, *Accounting and Financial Reporting for Pension Plans* – an amendment of GASB 27. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. Statement 67 revises existing standards of financial reporting by state and local government pension plans and is effective for fiscal years beginning after June 15, 2013. Statement 68 improves accounting and financial reporting by state and local governments for pensions and is effective for fiscal years beginning after June 15, 2014. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations. The adoption of statement 68 resulted in a restatement of beginning net position to record the calculated liability to the pension plan as of July 1, 2014. This restatement decreased net position by \$9,858 and increased the net pension liability by the same amount.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The District's Board of Directors approves an appropriate budget annually. The budget is prepared on a basis which differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that capital expenditures are budgeted as operating expenses rather than being capitalized as capital assets and expenses are on the cash basis rather than the accrual basis. The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds. For the year ended June 30, 2015, there was one item that exceeded the budgeted amounts: contracted services by \$47.

NOTE 3 – 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.

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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, all deposits were fully collateralized or insured.

B. Capital Assets

Capital asset activity for the year was as follows:

Description	Balance 7/1/2014	Additions	Retirements	Balance 6/30/2015
Capital assets, being depreciated				
Furniture and fixtures	\$ 7,718	\$ -	\$ -	\$ 7,718
Office equipment	51,531	-	-	51,531
Communication equipment	846,546	-	-	846,546
Vehicles	22,415	-	-	22,415
Total capital assets being depreciated	<u>928,210</u>	<u>-</u>	<u>-</u>	<u>928,210</u>
Less accumulated depreciation				
Furniture and fixtures	7,718	-	-	7,718
Office equipment	29,107	5,000	-	34,107
Communication equipment	385,249	67,581	-	452,830
Vehicles	22,415	-	-	22,415
Total accumulated depreciation	<u>444,489</u>	<u>72,581</u>	<u>-</u>	<u>517,070</u>
Total capital assets, net	<u>\$ 483,721</u>	<u>\$ (72,581)</u>	<u>\$ -</u>	<u>\$ 411,140</u>

NOTE 4 – OTHER INFORMATION

A. Commitments

The District has contracted with AT&T for the provision of services relating to the operation of the VIPER system. The monthly obligation by the District under the contract is \$4,964 for a 60 month period.

B. Funding Sources

Funds for operations are provided by monthly fees from service users in Fayette County and also by the Tennessee Emergency Communications Board. Major and alternate local exchange carriers collect service fees from the county users and remit funds to the District. The State remits a percentage of the shared wireless charges and voice over internet protocol charges based on the District's population. As of January 2015, the state will handle all remittances for the District.

C. Pension Plan

Plan Description. Employees of Fayette County Emergency Communications District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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

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

Employees covered by benefit terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>2</u>
	<u>3</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 7.5 percent of salary. Fayette County Emergency Communications District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Fayette County Emergency Communications District were \$5,809 based on a rate of 9.13 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Fayette County Emergency Communications District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

Net Pension Liability (Asset)

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

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

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 p on age, including inflation, averaging 4.2%
Investment rate of return	7.5 percent, net of pension plan investme including inflation
Cost-of-Living Adjustment	2.5 percent

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

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

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

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

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

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

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

Changes in the Net Pension Liability (Asset)

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (asset) (a) - (b)</u>
Balance at June 30, 2013	\$ 78,314	\$ 62,647	15,667
Changes for the year:			
Service Cost	3,944	-	3,944
Interest	6,086	-	6,086
Differences between expected and actual experience	7,091	-	7,091
Contributions - employer	-	5,809	(5,809)
Contributions - employee	-	3,181	(3,181)
Net investment income	-	10,941	(10,941)
Benefit payments, including refunds of employee contributions	(2,230)	(2,230)	-
Administrative expenses	-	(71)	71
Net changes	<u>14,891</u>	<u>17,630</u>	<u>(2,739)</u>
Balance at June 30, 2014	<u>\$ 93,205</u>	<u>\$ 80,277</u>	<u>\$ 12,928</u>

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Fayette County Emergency Communication District's net pension liability (asset)	\$ 27,278	\$ 12,928	\$ 922

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

Pension expense. For the year ended June 30, 2015, Fayette County Emergency Communications District recognized pension expense of \$1,659.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Fayette County Emergency Communications District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,205	\$ -
Net difference between projected and actual earnings on pension plan investments	-	4,794
Contributions subsequent to the measurement date of June 30, 2014	6,723	-
	\$ 12,928	\$ 4,794

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

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

Year Ended June 30:	
2016	\$ (312)
2017	(312)
2018	(312)
2019	(312)
2020	886
Thereafter	1,772

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

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

At June 30, 2015, Fayette County Emergency Communications District reported a payable of \$12,928 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

D. 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.

E. Restatement of Beginning Net Position – GASB Statement 68 and 71 Implementation

As of July 1, 2014 a restatement of beginning net position was made for net pension liability and deferred inflows/outflows of resources on pension plan investments due to the System implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The implementation of GASB Statement No. 68 and 71 resulted in the System restating net position by \$9,858 with a measurement date of June 30, 2014. The net effect of this restatement of beginning net position resulted in a decrease in the July 1, 2014 net position in the amount of \$9,858.

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.

REQUIRED SUPPLEMENTARY INFORMATION

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN TCRS**

Last Fiscal Year Ending June 30

	2014
Total pension liability	
Service Cost	\$ 3,944
Interest	6,086
Changes in benefit terms	-
Differences between actual & expected experience	7,091
Change in assumptions	-
Benefit payments, including refunds of employee contributions	(2,230)
Net change in total pension liability	14,891
Total pension liability-beginning	78,314
Total pension liability-ending (a)	<u>\$ 93,205</u>
 Plan fiduciary net position	
Contributions - employer	\$ 5,809
Contributions - employee	3,181
Net investment income	10,941
Benefit payments, including refunds of employee contributions	(2,230)
Administrative expense	(71)
Net change in plan fiduciary net position	17,630
Plan fiduciary net position - beginning	62,647
Plan fiduciary net position - ending (b)	<u>\$ 80,277</u>
 Net Pension Liability (asset) - ending (a) - (b)	 <u>\$ 12,928</u>
 Plan fiduciary net position as a percentage of total pension liability	 86.13%
 Covered - employee payroll	 \$ 63,622
 Net pension liability (asset) as a percentage of covered - employee payroll	 20.32%

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

See independent auditor's report

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN THE PUBLIC PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30**

	2014	2015
Actuarially determined contribution	\$ 5,809	\$ 5,247
Contributions in relation to the actuarially determined contribution	5,809	5,247
Contributions deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 63,622	\$ 57,591
Contributions as a percentage of covered-employee payroll	9.13%	9.11%

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

Notes to Schedules:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 year)
Remaining amortization period	7 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

See independent auditor's report

SUPPLEMENTARY AND OTHER INFORMATION SECTION

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash receipts				
Emergency telephone service charge	\$ 110,800	\$ 100,865	\$ 100,813	\$ (52)
TECB - shared wireless charge	35,000	35,496	35,496	-
TECB - new funding	268,587	268,587	268,587	-
TECB - operational funding	<u>115,107</u>	<u>147,880</u>	<u>147,880</u>	<u>-</u>
Total cash basis revenues	<u>529,494</u>	<u>552,828</u>	<u>552,776</u>	<u>(52)</u>
Cash expenditures				
Salaries and wages				
Director	48,642	48,642	48,605	(37)
Administrative personnel	16,900	8,200	8,129	(71)
Bonus	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total salaries and wages	<u>66,542</u>	<u>57,842</u>	<u>57,734</u>	<u>(108)</u>
Employee benefits				
Social security	4,125	4,125	3,580	(545)
Medicare	965	965	837	(128)
Medical insurance	7,500	7,500	7,489	(11)
Unemployment premiums	400	150	32	(118)
Retirement contributions	<u>6,075</u>	<u>6,075</u>	<u>5,247</u>	<u>(828)</u>
Total employee benefits	<u>19,065</u>	<u>18,815</u>	<u>17,185</u>	<u>(1,630)</u>
Contracted services				
Contracted services	-	-	47	47
Audit services	4,750	4,690	4,690	-
Accounting services	100	-	-	-
Impact fee	146,600	146,600	146,600	-
Legal services	300	20	19	(1)
Maintenance and repairs:				
Communications equipment	72,000	57,100	57,080	(20)
Viper CAD	13,824	37,250	37,215	(35)
Recorder Maintenance Contract	3,000	3,000	-	(3,000)
GeoConex Maintenance	3,400	3,130	3,130	-
Office equipment	1,500	1,500	1,120	(380)
Vehicles	1,500	500	369	(131)
Fuel	3,500	3,500	2,118	(1,382)
Hyper-reach Maintenance	7,400	7,400	7,400	-
Language line	<u>100</u>	<u>100</u>	<u>92</u>	<u>(8)</u>
Total contracted services	<u>258,074</u>	<u>264,790</u>	<u>259,880</u>	<u>(4,910)</u>

See independent auditor's report

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**

For the Year Ended June 30, 2015

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Supplies and materials				
Office supplies	\$ 3,000	\$ 3,000	\$ 2,188	\$ (812)
Furniture & fixtures	500	-	-	-
Postage	100	100	98	(2)
Uniforms and shirts	400	400	364	(36)
Utilities:				
General telephone	15,600	15,600	14,358	(1,242)
Cell phones and pagers	1,100	1,200	1,140	(60)
Internet	1,600	1,600	1,530	(70)
Total supplies and materials	<u>22,300</u>	<u>21,900</u>	<u>19,678</u>	<u>(2,222)</u>
Other charges				
Bank charges	100	100	95	(5)
Board meeting expense	250	-	-	-
Dues and memberships	400	500	464	(36)
Insurance:				
Workman's compensation	450	450	(379)	(829)
Liability	17,000	14,500	14,259	(241)
Legal notices	200	200	163	(37)
Premiums on surety bonds	600	300	215	(85)
Public education	2,000	-	-	-
Training expenses	2,500	5,000	4,134	(866)
Training expenses-dispatchers	6,000	6,000	6,000	-
Travel expenses	10,000	15,000	7,917	(7,083)
Miscellaneous expenses	1,500	1,500	4,679	3,179
Total other charges	<u>41,000</u>	<u>43,550</u>	<u>37,547</u>	<u>(6,003)</u>
Total operating expenses	<u>406,981</u>	<u>406,897</u>	<u>392,024</u>	<u>(14,873)</u>
Cash basis operating income	<u>122,513</u>	<u>145,931</u>	<u>160,752</u>	<u>14,821</u>

See independent auditor's report

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Non-operating income				
Investment income	\$ 2,000	\$ 2,200	\$ 2,487	\$ 287
Interest income	<u>1,000</u>	<u>1,000</u>	<u>1,097</u>	<u>97</u>
Total non-operating income	<u>3,000</u>	<u>3,200</u>	<u>3,584</u>	<u>384</u>
Cash basis net income	<u>\$ 125,513</u>	<u>\$ 149,131</u>	<u>\$ 164,336</u>	<u>\$ 15,205</u>
Reconciliation of cash basis to accrual basis				
Depreciation expense			(72,582)	
Capital purchases			(241)	
Current receivables			(15,244)	
Investment Increase			4,683	
GASB 68			3,588	
Prepaid expense			2,844	
Accounts payable			(2,892)	
Payroll Liabilities			(191)	
Compensated absences payable			<u>334</u>	
Net reconciliation cash to accrual			<u>(79,701)</u>	
Increase in net position (accrual)			<u>\$ 84,635</u>	

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

Board of Directors
Fayette County Emergency Communications District
Somerville, 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 Fayette 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 Fayette County Emergency Communications District's basic financial statements, and have issued our report thereon dated January 18, 2016.

Internal Control over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fayette 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of the District in a separate letter dated January 18, 2016.

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
January 18, 2016

**FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES – CURRENT YEAR**
June 30, 2015

Financial Statement Findings

Current Year Findings:

None reported.

FAYETTE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES – PRIOR YEAR
June 30, 2015

Financial Statement Findings

Prior Year Findings:

Condition: Fayette County Emergency Communication District is not maintaining all credit card receipts to reconcile to the credit card statements.

Status: Corrected.