

MARSHALL COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Marshall County Emergency Communications District
Lewisburg, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of the Marshall County Emergency Communications District, a component unit of Marshall 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 21, 2016, on my consideration of the Marshall County Emergency Communications District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 the Marshall County Emergency Communications District's internal control over financial reporting and compliance.



D. Gregory Johnson, CPA
Columbia, Tennessee
March 21, 2016

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF MANAGEMENT AND BOARD OF DIRECTORS
YEAR ENDED JUNE 30, 2015**

Management Officials

Joey King, Director
Linda Haislip, Administrative Assistant / GIS Address Coordinator

Board of Directors

Chris Gilbert, Board Chairman
Robert Hopkins, Vice Chairman
Larry Williams, Secretary/Treasurer
Chuck Forbis, Member
Billy Lamb, Member
Randall Dunn, Member
Bill Reuter, Member
Steve Calahan, Member
Mark Chandler, Member

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

As management of the Marshall County Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

The assets of the District exceeded its liabilities at June 30, 2015, by \$2,249,358. Of this amount, \$411,284 is invested in capital assets and \$1,838,074 is unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the District's policies. The District's total net position decreased by \$7,760 for the year ended June 30, 2015.

Overview of the Financial Statements

The District's financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, which includes the notes to the financial statements, and 3) a supplemental section that presents detailed summaries and schedules of selected financial data. Our auditor has provided assurance in his independent auditor's report, located immediately preceding the Management's Discussion and Analysis, that the financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the supplemental information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the financial section.

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance.

The basic financial statements provide financial information about the District's operation presented in the same format as a commercial enterprise. These statements report information about the District using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the assets and liabilities, both financial and capital, and short-term and long-term are included. Likewise, all revenues earned and expenses incurred during the year, regardless of when cash is received or paid, are reported.

The basic financial statements of the District include a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, and notes to the financial statements, which are described as follows:

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

- The statement of net position presents the financial position of the District on a full accrual, historical cost basis. This statement provides information about the nature and amount of resources and obligations at yearend.
- The statement of revenues, 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.
- The statement of cash flows presents changes in the cash and cash equivalents, resulting from operations, capital and related financing activities, investing activities, and noncapital financing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.
- 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 significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

The supplementary information presented by the District includes comparisons of budget to actual revenue and expenses and schedules required to be presented or considered useful to the readers of the financial statements.

Financial Analysis of the District

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and the changes in them. One can think of the District's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. The District is providing condensed financial information for fiscal 2015 and 2014 for comparative analysis. A summary of the District's net position and changes thereon is presented on the following page.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

SUMMARIZED FINANCIAL INFORMATION
YEARS ENDED JUNE 30th

NET POSITION

	2015	2014	Dollar Change	Percentage Change
Current assets	\$ 1,842,174	\$ 1,746,579	\$ 95,595	5.5%
Capital assets	411,284	512,247	(100,963)	-19.7%
Total assets	2,253,458	2,258,826	(5,368)	-0.2%
Current liabilities	4,100	1,708	2,392	140.0%
Net position	<u>\$ 2,249,358</u>	<u>\$ 2,257,118</u>	<u>\$ (7,760)</u>	-0.3%
Summary of net position -				
Investment in capital assets	\$ 411,284	\$ 512,247	\$ (100,963)	-19.7%
Unrestricted	1,838,074	1,744,871	93,203	5.3%
	<u>\$ 2,249,358</u>	<u>\$ 2,257,118</u>	<u>\$ (7,760)</u>	-0.3%

CHANGES IN NET POSITION

Revenues	\$ 440,783	\$ 439,373	\$ 1,410	0.3%
Operating expenses	580,944	523,935	57,009	10.9%
Operating income (loss)	(140,161)	(84,562)	(55,599)	65.7%
Nonoperating revenues net of expenses	132,401	325,652	(193,251)	59.3%
Changes in net position	(7,760)	241,090	(248,850)	-103.2%
Net position, beginning of year	2,257,118	2,016,028	241,090	12.0%
Net position, end of year	<u>\$ 2,249,358</u>	<u>\$ 2,257,118</u>	<u>\$ (7,760)</u>	-0.3%

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Analysis of Financial Position and Results of Operations

As can be seen from the summarized financial information on the previous page, the District's total assets have decreased \$5,368 during the year ended June 30, 2015. This includes a \$548,934 decrease in cash, which relates primarily to the \$600,000 increase in certificates of deposit, a \$23,723 increase in receivables, and a \$20,806 increase in prepaid expenses. Net capital assets decrease \$100,963 as a result of additions to depreciation of \$184,720 with net additions to fixed assets of \$83,757. Net position decreased \$7,760 for the year ended June 30, 2015. In the current year, the District's total operating revenue remained relatively unchanged. Total expenses for the District increased 10.9% due primarily to increases in payroll, training, travel, and depreciation on new equipment placed in service.

The District's Net Position

The District completed the year with a net position of \$2,249,358, which is \$7,760 less than the prior year's ending net position of \$2,257,118. The net position at June 30, 2015, consists of \$411,284 invested in capital assets, and \$1,838,074 unrestricted and undesignated.

Budgetary Highlights

The District adopts annual operating and capital budgets outlining the estimated expenditures for programs and projects authorized by the Districts' Board on a cash basis. There were revisions made to the 2014/2015 budget as need arose for adjustments.

In June 2015, the 2014/2015 budget was amended to equal the actual operating expenses at year-end.

Capital Assets

The District's current investment in capital assets amounts to \$411,284 (net of accumulated depreciation). Capital assets include communications equipment, tower equipment, leasehold improvements, as well as office furniture and office equipment. Current year additions amounted to \$83,757. In the current year, old fully depreciated communications and stored equipment with an original cost of \$390,792 was retired.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Capital Assets (continued)

Below is a summary of capital assets as of June 30, 2015:

Capital Assets at June 30, 2015 and 2014
(Net of Accumulated Depreciation)

	<u>2015</u>	<u>2014</u>
Furniture and fixtures	\$ 7,582	\$ 14,466
Communications equipment	399,646	492,697
Tower equipment	2,306	2,914
Office equipment (fully depreciated)	-	-
Leasehold improvements	1,750	2,170
Total	\$ 411,284	\$ 512,247

Economic Factors and Future Needs

The district's primary source of revenue since inception has been telephone surcharge rates which were sent to the district through December 2014. Effective January 1, 2015 all surcharge revenues from telephone companies were paid to the TECB as stipulated in the new 911 Funding Modernization Act. These funds are distributed to each district by direct deposit based on the formula prepared by the TECB. The base amount that the district shall receive is \$528,432 plus any excess revenues over and above the TECB base calculation for that year. For 2015-2016 we received the base amount and an excess amount of \$10,181.

Effective July 1 2015, the MCECD consolidated the dispatch for the entire county. We will receive consolidation funding revenues from Marshall County, City of Lewisburg, City of Chapel Hill and City of Cornersville beginning July 1, 2015. For the 2015-2016 budget we will receive \$617,567 for the consolidation funding. Our total estimated income for 2015-2016 is \$1,158,680 which includes the base funding and excess revenues from the TECB and the consolidation funding monies plus any interest income that we may receive.

Request for Information

This financial report is designed to provide a general overview of the Marshall County Emergency Communications District's finances for those interested parties. If you have questions about this report or need additional information, contact Linda Haislip, Administrative Assistant, Marshall County Emergency Communications District, P.O. Box 2786, Lewisburg, Tennessee 37091.

MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS

Current assets

Cash and cash equivalents	\$ 370,535
Certificates of deposit	1,350,000
Accrued interest receivable	2,888
Due from Tennessee Emergency Communications Board	78,807
Prepaid expenses	39,944
	<hr/>
Total current assets	1,842,174

Capital assets

Furniture and fixtures	63,859
Communications equipment	1,264,834
Tower equipment	110,783
Office equipment	8,003
Leasehold improvements	4,200
	<hr/>
	1,451,679
Less accumulated depreciation	<hr/> (1,040,395)
	<hr/>
Total capital assets	411,284
	<hr/>
Total assets	<u><u>\$ 2,253,458</u></u>

LIABILITIES AND NET POSITION

Current liabilities

Accrued liabilities	<u>\$ 4,100</u>
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Net position

Investment in capital assets	411,284
Unrestricted	1,838,074
	<hr/>
Total net position	2,249,358
	<hr/>
Total liabilities and net position	<u><u>\$ 2,253,458</u></u>

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

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015**

Operating revenue	
Emergency telephone service charges	\$ 92,152
State emergency communications board - shared wireless	28,677
State emergency communications board - operational funding	55,738
TECB distribution of 911 surcharges	264,216
Total revenue	440,783
 Operating expenses	
Salaries and wages	76,399
Employee benefits	9,910
Contracted services	182,691
Supplies and materials	88,722
Other charges	38,502
Depreciation	184,720
Total operating expenses	580,944
Net operating loss	(140,161)
 Nonoperating revenue (expense)	
Interest income	4,456
Grants and reimbursements	127,945
Net nonoperating income	132,401
Decrease in net position	(7,760)
Net position, beginning of year	2,257,118
Net position, end of year	\$ 2,249,358

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

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015**

Cash flows from operating activities	
Receipts from surcharges	\$ 456,918
Payments to suppliers	(330,721)
Payments to employees	(83,917)
	<u>42,280</u>
Cash flows from noncapital financing activities	
Proceeds from grants and reimbursements	<u>90,279</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	<u>(83,757)</u>
Cash flows from investing activities	
Interest income	2,264
Purchases of certificates of deposit	(600,000)
	<u>(597,736)</u>
Net decrease in cash and cash equivalents	(548,934)
Cash and cash equivalents, beginning of year	<u>919,469</u>
Cash and cash equivalents, end of year	<u><u>\$ 370,535</u></u>
Reconciliation of net operating loss to net cash flows from operating activities	
Net operating loss	\$ (140,161)
Adjustments to reconcile net operating loss to net cash provided by operating activities	
Depreciation	184,720
Decrease in accounts receivable	16,135
Increase in prepaid expenses	(20,806)
Increase in accrued expenses	2,392
	<u>42,280</u>
Net cash provided by operating activities	<u><u>\$ 42,280</u></u>

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

MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Marshall County Emergency Communications District (the District) was organized under Tennessee law for the purpose of providing an emergency number to shorten the time required for residents of Marshall County, Tennessee to request emergency services. The District is governed by a board of directors appointed by the Board of Commissioners of Marshall County.

The District is a discretely presented component unit of Marshall County, Tennessee, and the financial statements are presented in both the District's separate financial report and within the Marshall County, Tennessee financial report. The District is considered a discretely presented component unit of Marshall County as defined under the criteria set forth in Governmental Accounting Standards Board Statement 14, because the district would be unable to issue debt without approval of Marshall County, Tennessee.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends. With this measurement focus, all assets and all liabilities associated with the operations are included in the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into investment in capital assets and unrestricted components.

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, required for fiscal periods beginning after December 15, 2011. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance, included in certain FASB and AICPA pronouncements issued prior to November 30, 1989, which does not conflict with or contradict GASB pronouncements.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a District's principal ongoing operations. The principal operating revenues of the District are emergency telephone service charges to residents for providing emergency 911 services. Operating expenses include payroll expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

The District has adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The Statement resulted in a change in the presentation of the balance sheet to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

For the year ended June 30, 2015, the District had neither a deferred inflow nor outflow of resources.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted 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.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of net position and the statement of cash flows, Marshall County Emergency Communications District considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are defined by the District as assets with an initial cost of more than \$2,500 and an estimated useful life in excess of one year. Additions to capital assets are recorded at acquisition cost or estimated market value at the date of donation in the case of donated property. Depreciation is provided for in amounts sufficient to relate the cost of the assets to operations over their estimated service lives using the straight-line method of depreciation. Estimated useful lives, in years, for depreciable assets are as follows:

Building and improvements	10 - 40 years
Furniture and fixtures	5 - 10 years
Office equipment	3 - 10 years
Communications equipment	5 - 10 years
Tower equipment	7 - 15 years
Stored equipment	5 - 10 years

Income Taxes

Marshall County Emergency Communications District is a tax-exempt organization under Section 115 of the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

Budgetary Data

The District is required by state statute to adopt an annual budget. The annual budget is prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenses must be presented at the legal level of control, which is defined to be at the line-item level. The District utilizes cash basis accounting for the budget as depreciation is not budgeted, and outlays for capital items are budgeted as expenses. Therefore, the budget is not intended to be presented in accordance with generally accepted accounting principles. The budget may be amended by the Board as conditions warrant throughout the year.

Compensated Absences

It is the policy of the District that unused leave at the end of a fiscal year does not carry over to the next year. Vacation and sick leave expenditures are recognized when paid. Therefore, no accrual for accumulated unpaid leave is necessary.

Date of Management's Review

Subsequent events were evaluated through March 21, 2016, which is the date the financial statements were available to be issued.

MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE B – CASH AND DEPOSITORY COLLATERAL

The District's current policies limit deposit of funds to accounts with commercial banks which are required to pledge securities as collateral for the deposits should they be in excess of Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000. The financial institutions used by the District are participants in the Tennessee Collateral Pool, which was established to provide security for public funds deposits in excess of FDIC coverage. At yearend, the District's deposits of cash and certificates of deposit were fully insured by the FDIC or collateralized by the Tennessee Collateral Pool.

State statutes authorize the District to invest in (1) U.S. government securities and obligations guaranteed by the U.S. government; (2) deposit accounts at state and federally chartered banks and savings and loan associations; (3) the Local Government Investment Pool of the State of Tennessee; and (4) obligations of the United States or its agencies under repurchase agreements with certain restrictions.

The District has not adopted formal deposit or investment policies for exposure to various forms of risks associated with its deposit and investment practices, other than to follow the State of Tennessee statutes as described above.

NOTE C – CERTIFICATES OF DEPOSIT

At June 30, 2015, certificates of deposit are as follows:

First Commerce Bank, 0.20% maturing April 15, 2016	\$ 23,443
First Commerce Bank, 0.20% maturing May 29, 2016	226,557
Apex Bank, 0.60% maturing May 29, 2016	164,259
Apex Bank, 0.40% maturing December 19, 2016	85,741
Bank of Frankewing, 0.30% maturing June 30, 2016	250,000
First Tennessee Bank, 0.40% maturing December 16, 2015	200,000
First Tennessee Bank, 0.54% maturing June 16, 2016	200,000
First Tennessee Bank, 0.71% maturing December 16, 2016	200,000
	<u>\$ 1,350,000</u>

NOTE D – DUE FROM TENNESSEE EMERGENCY COMMUNICATIONS BOARD

At June 30, 2015, amounts due from the Tennessee Emergency Communications Board were as follows:

Grant reimbursement for controller and phone system	<u>\$ 78,807</u>
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MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE E – PREPAID LEASE

The District entered into an agreement with the City of Lewisburg, Tennessee on October 10, 1996 for leased space. The agreement is for 20 years and the consideration was \$2,000 per year, which could be paid in advance. The District paid the full \$40,000 in advance. The yearly cost is expensed to leased facilities. The City will house the 911 equipment and supply dispatchers trained to receive emergency phone calls and transfer those calls to the appropriate agency.

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, is presented below:

	Balance			Balance
	<u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Furniture and fixtures	\$ 63,859	\$ -	\$ -	\$ 63,859
Communications equipment	1,325,451	83,757	(144,374)	1,264,834
Tower equipment	110,783	-	-	110,783
Office equipment	8,003	-	-	8,003
Stored equipment	246,418	-	(246,418)	-
Leasehold improvements	4,200	-	-	4,200
Total cost	<u>1,758,714</u>	<u>83,757</u>	<u>(390,792)</u>	<u>1,451,679</u>
Less accumulated depreciation for:				
Furniture and fixtures	(49,393)	(6,884)	-	(56,277)
Communications equipment	(832,754)	(176,808)	144,374	(865,188)
Tower equipment	(107,869)	(608)	-	(108,477)
Office equipment	(8,003)	-	-	(8,003)
Stored equipment	(246,418)	-	246,418	-
Leasehold improvements	(2,030)	(420)	-	(2,450)
Total accumulated depreciation	<u>(1,246,467)</u>	<u>(184,720)</u>	<u>390,792</u>	<u>(1,040,395)</u>
Capital assets, net	<u>\$ 512,247</u>	<u>\$ (100,963)</u>	<u>\$ -</u>	<u>\$ 411,284</u>

Depreciation charged to expense for the current year amounted to \$184,720.

In the current year, the District disposed of old fully depreciated communications and stored equipment with an original cost of \$390,792.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE G – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2015, consist of the following:

Accrued payroll taxes	<u>\$ 4,100</u>
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NOTE H – MAJOR REVENUE SOURCES

Revenue for operation and maintenance of the Marshall County Emergency Communications District is generated by a surcharge placed on residential and business phone lines. Prior to January 1, 2015, the surcharge was collected by AT&T Telephone Company and remitted to the District monthly less a 3% administrative fee. Effective January 1, 2015, all surcharge revenues from telephone companies that have been paid to the districts in the past are now paid directly to the Tennessee Emergency Communications Board (TECB) as stipulated in the new 911 Funding Modernization Act. The TECB has calculated the base funding for each district and will use this calculation to distribute and direct deposit these revenues to the districts. In the current year, operating revenue received from TECB amounted to approximately 79% of total operating revenue.

NOTE I – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended June 30, 2015, the District was insured against potential losses associated with these risks through the purchase of commercial insurance for management and property liability. District employees and board members who receive, have access, or have authority over the distribution of funds are covered by surety bonds. There have been no losses in excess of insurance coverage during the last three years.

NOTE J – SUBSEQUENT EVENTS

On July 1, 2015, the District consolidated the dispatch center for the entire County. The dispatch employees from Marshall County and the various cities are now employees of the District. The District receives funding from Marshall County and the cities of Lewisburg, Chapel Hill, and Cornersville to cover the payroll costs. Funding for the costs will be determined by one-half of the cost being distributed based on population of each government and by one-half being distributed based on calls for service to each government's citizens.

SUPPLEMENTARY INFORMATION

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2015**

Salaries and Wages

Director	\$ 12,341
Administrative assistant / GIS address coordinator	56,656
Dispatchers	7,402
	<u>76,399</u>

Employee Benefits

Social security	4,737
Medicare	1,108
Medical insurance	3,956
Dental insurance	78
Unemployment tax	31
	<u>9,910</u>

Contracted Services

Address and mapping	1,000
Audit services	4,000
Leased communications equipment	76,203
Leased facilities	2,000
Legal services	9,922
Maintenance agreements	67,066
Other contracted services	22,500
	<u>182,691</u>

Supplies and Materials

Office supplies	1,003
Postage	339
Repairs - building	403
Repairs - communications equipment	4,504
Small equipment purchases	6,431
Uniforms and shirts	393
Utilities	
Electric and gas	990
Cell phones	174
General telephone	74,485
	<u>88,722</u>

See auditor's report.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2015**

Other Charges

Advertising	206
Bank charges	80
Board meeting expenses	542
Dues and memberships	987
Employee testing and exams	399
Insurance	
Liability	6,914
Surety bond	200
Licenses and fees	1,980
Training	10,787
Travel	16,407
	<u>38,502</u>

Depreciation

184,720

\$ 580,944

See auditor's report.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Cash Basis)</u>	<u>Variance With Final Favorable (Unfavorable)</u>
Operating revenue				
Emergency telephone service charges	\$ 89,137	\$ 108,287	\$ 108,287	\$ -
State emergency communications board - shared wireless	38,682	41,949	41,949	-
State emergency communications board - operational funding	83,607	83,607	83,607	-
TECB distribution of 911 surcharges	264,213	264,216	264,216	-
	<u>475,639</u>	<u>498,059</u>	<u>498,059</u>	<u>-</u>
Operating expenses				
Salaries and wages				
Director	-	12,342	12,341	1
Admin. assist./GIS address coordinator	55,545	56,656	56,656	-
Dispatchers	-	8,000	7,402	598
	<u>55,545</u>	<u>76,998</u>	<u>76,399</u>	<u>599</u>
Employee benefits				
Social security	3,444	4,600	3,419	1,181
Medicare	805	1,075	800	275
Medical insurance	-	3,956	3,956	-
Dental insurance	-	78	78	-
Unemployment tax	54	350	31	319
	<u>4,303</u>	<u>10,059</u>	<u>8,284</u>	<u>1,775</u>
Contracted services				
Accounting services	500	-	-	-
Address and mapping	3,000	1,000	1,000	-
Audit services	4,000	4,000	4,000	-
Leased communications equipment	76,673	77,106	77,106	-
Legal services	9,925	9,925	9,922	3
Maintenance agreements	95,541	88,500	87,795	705
Other contracted services	22,500	22,500	22,500	-
	<u>212,139</u>	<u>203,031</u>	<u>202,323</u>	<u>708</u>

See auditor's report.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Cash Basis)</u>	<u>Variance With Final Favorable (Unfavorable)</u>
Supplies and materials				
Office supplies	1,000	1,050	1,003	47
Postage	350	350	339	11
Repairs - building	-	600	403	197
Repairs - communications equipment	10,000	5,000	4,504	496
Small equipment purchases	10,000	6,600	6,431	169
Uniforms and shirts	-	393	393	-
Utilities				
Electric and gas	2,150	1,010	990	20
Cell phone	-	175	174	1
General telephone	86,000	75,000	74,485	515
	<u>109,500</u>	<u>90,178</u>	<u>88,722</u>	<u>1,456</u>
Other charges				
Advertising	150	250	206	44
Bank charges	100	100	80	20
Board meeting expenses	350	550	542	8
Dues and memberships	1,000	987	987	-
Employee testing and exams	-	399	399	-
Insurance				
Liability	7,500	8,088	8,088	-
Surety bond	500	500	200	300
Licensing and fees	-	1,980	1,980	-
Training	16,000	10,800	10,787	13
Travel	15,000	20,000	16,407	3,593
	<u>40,600</u>	<u>43,654</u>	<u>39,676</u>	<u>3,978</u>
Total operating expenses	<u>422,087</u>	<u>423,920</u>	<u>415,404</u>	<u>8,516</u>
Operating revenues in excess of expenses	<u>53,552</u>	<u>74,139</u>	<u>82,655</u>	<u>8,516</u>
Nonoperating revenue (expenses)				
Interest income	5,600	2,300	2,264	(36)
Grants and reimbursements	44,480	127,945	49,138	(78,807)
Capital expenditures	-	(134,553)	(83,757)	50,796
Total nonoperating revenue (expenses)	<u>50,080</u>	<u>(4,308)</u>	<u>(32,355)</u>	<u>(28,047)</u>
Increase (decrease) in budgetary net position	<u>\$ 103,632</u>	<u>\$ 69,831</u>	<u>\$ 50,300</u>	<u>\$ (19,531)</u>

See auditor's report.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2015**

Budget to Actual Reconciliation

Increase in budgetary net position	\$ 50,300
Capital expenditures	83,757
Depreciation not budgeted	(184,720)
Accrual adjustment for accounts receivable	(16,135)
Accrual adjustment for interest receivable	2,192
Accrual adjustment for grants due from TECB	37,666
Accrual adjustment for prepaid expenses	20,806
Accrual adjustment for accrued liabilities	(1,626)
Actual decrease in net position	<u><u>\$ (7,760)</u></u>

See auditor's report.

MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2015

Program	Grantor Agency	(Receivable) Deferred Balance June 30, 2014	Grant Receipts	Expenditures	(Receivable) Deferred Balance June 30, 2015
Next Generation 911	Tennessee Emergency Communications Board	\$ -	\$ -	\$ 78,807	\$ (78,807)
GIS	Tennessee Emergency Communications Board	-	41,138	41,138	-
Training	Tennessee Emergency Communications Board	-	8,000	8,000	-
		<u>\$ -</u>	<u>\$ 49,138</u>	<u>\$ 127,945</u>	<u>\$ (78,807)</u>

Basis of Presentation

The schedule of state financial assistance presents the grant activity of the Marshall County Emergency Communications District in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements.

See auditor's report.

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

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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

To the Board of Directors
Marshall County Emergency Communications District
Lewisburg, Tennessee

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Marshall County Emergency Communications District, a component unit of Marshall 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, and have issued my report thereon dated March 21, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Marshall 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Marshall 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2015-1 that I consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marshall County Emergency Communications District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2015-2.

Marshall County Emergency Communications District's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "D. Gregory Johnson, CPA". The signature is written in a cursive style.

D. Gregory Johnson, CPA
Columbia, Tennessee
March 21, 2016

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015**

Finding 2015-1 – Segregation of Duties

Condition and Criteria: The District has had a limited staff and consequently has been unable to properly segregate the control of funds from record keeping duties thus resulting in a significant deficiency in internal control. Internal controls should be in place, which provide reasonable assurance that funds of the District are properly safeguarded and recorded. (This was also a finding at June 30, 2014.)

Effect: The absence of appropriate segregation of duties enhances the possibility that assets may be misappropriated and material misstatements may go undetected.

Recommendation: I recognize that due to the size of the staff, management is limited in adequate segregation of duties and functions within the accounting system. However, management can improve internal control procedures by requiring as much separation of duties as possible and by involving the District's director and others from the Board of Directors in the approval of disbursements and review of transactions and bank reconciliations.

Management's Response: MCECD makes every attempt to segregate the duties. The district's personnel is only authorized to write the checks for the board to approve and sign. No check can be processed without the board's approval. The district's personnel has no control over bank accounts (only viewing rights,) all deposits must be approved by the Secretary/Treasurer and all checks require 2 signatures which has to be either the Chairman of the Board, the Secretary/Treasurer or the Vice Chairman. The districts personnel cannot sign checks, cannot make transfer of monies, cannot make withdrawals, nor approve any expenditure. This all has to be done by board members. Therefore you have one person writing the check (with no authority to sign the check), and 2 board members signing the checks. If money has to be transferred or withdrawn from an account, it can only be done by one of the above mentioned board members with another board member or the administrative assistant accompanying them.

As of January 2015 all revenues that were received from the land line telephones companies and wireless telephone companies are being sent directly to the TECB by the telephone companies. The TECB distributes the revenues to all districts by direct deposit. These revenues are never handled by the districts personnel. Any other revenues that may be received by the district are typically received through the mail. After it is picked up at the post office by the districts employee, that employee makes out a deposit form, and then takes it to the Secretary/Treasurer of the MCECD for his approval to deposit.

All expenditures must be approved by the MCECD board of Directors. Once expenditures are approved, all checks are written and processed using the quick books accounting program. To insure that all expenditures have already been approved by the MCECD Board an invoice is attached to every check to be approved before the check is signed and mailed. All checks must be signed by the Chairman of the Board, the Secretary/Treasurer or the Vice Chairman before they are sent out to the vendors. Monthly reconciliations of all bank accounts are done and sent to the Secretary/Treasurer for approval. The districts personnel does not approve deposits or sign any checks. The personnel only have viewing rights to bank account with no authority to make transfers or withdrawals. Transfers of monies and withdrawals can only be done by the Chairman, Vice Chairman and the Secretary/Treasurer. All board members receive monthly financial reports as require by law and are kept informed of all finances.

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2015**

Finding 2015-2 – Surety Bonds Less Than the Minimum Requirements

Condition and Criteria: The District's surety bonds for the employee and board members did not meet the minimum amounts required. According to Tennessee Coded Annotated Section 7-86-119, the minimum amount of required bonds shall be determined from the amount of revenues handled by the District as reported in the last audit approved by the Comptroller of the Treasury. Therefore, based on the June 30, 2014 audited revenues, the District should have carried surety bonds of at least \$30,601. The District's bonds were only \$23,000.

Effect: The District's personnel who received funds, had authority to make expenditures from funds, or had access to funds were not bonded in accordance with the minimum requirements as prescribed by Tennessee law.

Recommendation: As part of its monitoring of financial operations, the Board of Directors should also periodically review its revenue amounts in terms of surety bond requirements and take the necessary steps to insure that all bonds are within the prescribed limits.

Management's Response: Prior to Tennessee Coded Annotated Section 7-86-119 which took effect July 1, 2013 the district had all bonds set at \$50,000. When this section of law went into effect it basically lowered the bonds to \$23,000 for the audit year 2013-2014. The state also informed the district that they want the bonds to match the 4 year terms of the board members so the bonds went to four year bond renewals instead of annual renewals. Due to renewing the bonds every 4 years there was an oversight and the bonds did not get increase for 2014/2015. As soon as the district was notified that the bonds were not meeting the minimum requirements, the district contacted the bonding company to increase the amount of the bond to meet the requirements. The district is now aware of this error and will periodically review its revenue amounts in terms of surety bond requirements and take the necessary steps to insure that all bonds are within the prescribed limits. The district would like to state that they do not agree with the auditor's statement in the (Effect) part of finding 2015-2. The auditor states that the district's personnel have authority to make expenditures. As stated in the response to segregation of duties the districts personnel does not have authority to make any expenditures. All expenditures must be approved by the MCECD board of Directors. Once expenditures are approved, all checks are written and processed through the quick books accounting program by the districts personnel. Then all checks must be signed by the Chairman of the Board and the Secretary/Treasurer or the Vice Chairman before they are sent out to the vendors. All checks have an invoice attached to them for approval (to insure that they were approved by the MCECD Board) before they are signed and mailed out. The district's personnel do not have authority to approve deposits, sign checks, and make transfers or withdrawals. The districts personnel only have viewing rights to bank accounts. Signing of checks transfers of monies and withdrawals can only be done by the Chairman, Vice Chairman and the Secretary/Treasurer.