

**TIPTON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**



**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

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INTRODUCTORY SECTION

**TIPTON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
DISTRICT OFFICIALS
JUNE 30, 2015**

Director

Ruth Renee Downing

Board of Directors

Jim Harger, Chairman
Jeff Mason, Vice Chairman
Roy Warmath, Treasurer
Bennie Carver
Lessie Fisher
Brett Giannini
Larry McKee
Tommy Rogers
James Sneed

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tipton County Emergency Communications District
Covington, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Tipton County Emergency Communications District (a component unit of Tipton County, Tennessee) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Tipton County Emergency Communications 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 Tipton County Emergency Communications District as of June 30, 2015, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the Tipton County Emergency Communications District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. 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, schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS, and schedule of contributions based on participation in the public employee pension plan of TCRS on pages 5-8 and 24-25, respectively, 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 Tipton County Emergency Communicating District's basic financial statements. The introductory section and budgetary comparison are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2015, on our consideration of the Tipton 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 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 Tipton County Emergency Communications District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Whitehorn & Associates, PLLC". The signature is written in dark ink and is positioned in the lower right quadrant of the page.

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

Our discussion and analysis of Tipton County Emergency Communications District's (the "District") financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2015. It should be read with the District's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The District's net position increased approximately \$46,000 from the prior year as a result of this year's operations.
- Operating expenses decreased to \$1,103,000 in the current year, from \$1,111,000 for the year ended June 30, 2014.
- Current year revenues, including contributions from participating local and state governments, were approximately \$1,149,000, approximately the same amount as the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following parts: Management's Discussion and Analysis, Financial Statements, Notes to the Financial Statements, Required Supplementary Information, and Schedule.

USING THIS ANNUAL REPORT AND REQUIRED FINANCIAL STATEMENTS

This annual report consists of several basic financial statements. The Statement of Net Position provides a measure of the difference between the District's assets and its liabilities at a given point in time, at our fiscal year-end date of June 30. The Statement of Revenues, Expenses, and Changes in Net Position provides information about the sources of income and how the resources were used during the fiscal year. The Statement of Cash Flows gives a detail of how cash was received and used during the fiscal year. The budgetary comparison data compares actual results of operations against budgeted amounts. Our analysis of the financial status of Tipton County Emergency Communications District begins below.

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

CONDENSED COMPARATIVE FINANCIAL INFORMATION

The District's total net position increased from a year ago, and this analysis presents net position at June 30 for two years (Table 1) and the changes in net position (Table 2) for each of the years.

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

**TABLE 1
NET POSITION
(IN THOUSANDS)**

	2015	2014
Current Assets	\$ 1,749	\$ 1,881
Equipment	616	580
Other Assets	217	167
Total Assets	2,582	2,628
 Deferred Outflows of Resources	 48	 -
 Current Liabilities	 39	 157
 Deferred Inflows of Resources	 74	 -
 Net Position		
Investment in capital assets	616	450
Unrestricted	1,901	2,021
Total Net Position	\$ 2,517	\$ 2,471

Total net position increased by approximately \$46,000 during the current year as a result of revenues from participating governments, net of expenses.

Ending unrestricted net position for the year ended June 30, 2014 increased approximately \$167,000 due to the restatement of beginning net position upon implementation of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*.

A summary of the District's Statement of Revenues, Expenses, and Changes in Net Position is given below:

**TABLE 2
REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(IN THOUSANDS)**

	2015	2014
Revenues and Contributions		
Operating revenues	\$ 674	\$ 730
Contributions from local and other governments	470	415
Interest and other	\$ 5	\$ 4
Total Revenues and Contributions ..	1,149	1,149

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

	2015	2014
Operating Expenses		
Salaries and benefits	803	823
Contracted services	149	122
Supplies and materials	24	47
Depreciation	100	93
Other	27	26
Total Operating Expenses	1,103	1,111
Capital Contributions	-	285
Change in Net Position	\$ 46	\$ 323

Our expenses were down from approximately \$1,111,000 to approximately \$1,103,000 largely due to decreased supplies and materials of \$23,000, and salaries and benefits of \$20,000. These expenses were offset by increases in other expenses, especially contracted services and depreciation.

BUDGETARY MATTERS

Several times during the course of the year budgeted income and expenses were changed to reflect changing expectations and desires of the board to allocate resources to achieve our objectives.

CAPITAL ASSET ADMINISTRATION

At the end of our fiscal year the District has a total of \$616,000 invested in various capital assets, primarily in communications equipment, stated at original cost less related depreciation expense.

**TABLE 3
CAPITAL ASSETS AT YEAR END
(IN THOUSANDS)**

	2015	2014
Construction in progress	\$ 64	\$ -
Equipment held for future use	-	2
Communication related equipment	531	556
Dispatch room	21	22
Total Capital Assets	\$ 616	\$ 580

There were major purchases of communication equipment this year totaling approximately \$138,000, but there was also scrapping of obsolete equipment.

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

ECONOMIC FACTORS FOR NEXT YEAR

Because of continuing inflation and a steadily increasing population, the District had to raise its rates to several local government partners in the current fiscal year by a total of approximately \$55,000 and have raised rates by approximately \$63,000 for fiscal year 2016.

The District expects to purchase a total of \$15,000 in new equipment for the fiscal year ending June 30, 2016. We expect to pay this amount from routine operations. Other large increases over the prior year's budget include salaries and benefits, which is expected to increase \$40,000.

FINANCIAL CONTACT

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information, please contact the District's Director at 220 Highway 51 North, Covington, Tennessee 38019.

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

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 486,332
Investments-certificates of deposit	1,262,091
Accrued interest receivable	904
TOTAL CURRENT ASSETS	<u>1,749,327</u>
NONCURRENT ASSETS	
Capital Assets	
Not being depreciated	
Construction in progress	<u>63,806</u>
Being depreciated	
Communication equipment	1,167,450
Furniture	15,430
Vehicle	22,750
Leasehold improvements	33,460
Less accumulated depreciation	<u>(686,538)</u>
	<u>552,552</u>
TOTAL CAPITAL ASSETS, NET OF	
ACCUMULATED DEPRECIATION	<u>616,358</u>
Other Assets	
Net pension asset	<u>216,742</u>
TOTAL NONCURRENT ASSETS	<u>833,100</u>
TOTAL ASSETS	<u>2,582,427</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	<u>47,790</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,630,217</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 9,505
Accrued payroll	12,948
Accrued expenses	4,538
Compensated absences	<u>11,753</u>
TOTAL CURRENT LIABILITIES	<u>38,744</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	<u>74,038</u>
NET POSITION	
Investment in capital assets	616,358
Unrestricted	<u>1,901,077</u>
TOTAL NET POSITION	<u>2,517,435</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF	
RESOURCES, AND NET POSITION	<u>\$ 2,630,217</u>

See notes to financial statements

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

OPERATING REVENUES

Emergency telephone service charges	\$ 132,132
Tennessee Emergency Communications Board	
Shared wireless charge	57,212
Operational funding	119,815
Base funding	<u>364,821</u>
TOTAL OPERATING REVENUES	<u>673,980</u>

OPERATING EXPENSES

Salaries and wages	
Director	49,538
Administrative personnel	36,955
Dispatchers	506,711
Part time personnel	<u>15,925</u>
	<u>609,129</u>
Employee benefits	
Payroll taxes	47,920
Insurance	121,148
Retirement	<u>24,271</u>
	<u>193,339</u>
Contracted services	
Advertising	163
Audit and accounting services	10,658
NCIC/TBI/TIES expenses	2,260
Consultants	14,173
Maintenance	66,389
Other contracted services	<u>55,507</u>
	<u>149,150</u>
Supplies and materials	
Office supplies and postage	3,544
Noncapitalized equipment	5,736
Other supplies	2,142
Utilities and telephones	<u>12,837</u>
	<u>24,259</u>
Other charges	
Insurance	15,226
Training and travel	3,601
Other	<u>8,051</u>
	<u>26,878</u>
Depreciation	<u>99,982</u>
TOTAL OPERATING EXPENSES	<u>1,102,737</u>

OPERATING (LOSS) (428,757)

See notes to financial statements

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

NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 6,592
Contributions from governments	
Primary government	200,000
Other governments	270,324
Other	<u>(1,667)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>475,249</u>
CHANGE IN NET POSITION	46,492
NET POSITION	
Balance at July 1, 2014, as restated	<u>2,470,943</u>
Balance at June 30, 2015	<u>\$ 2,517,435</u>

See notes to financial statements

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

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from surcharges and other operating revenues	\$ 755,520
Cash payments to suppliers for goods and services	(212,750)
Cash payments for payroll, taxes, and employee benefits	(801,941)
Other revenues	<u>(1,667)</u>
Net cash (used) by operating activities	<u>(260,838)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Contributions from primary government	200,000
Contributions from other governments	<u>270,324</u>
Net cash provided by noncapital financing activities	<u>470,324</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES**

Purchase of capital assets	<u>(266,297)</u>
Net cash (used) by capital and related financing activities	<u>(266,297)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>1,674</u>
Net cash provided by investing activities	<u>1,674</u>

NET (DECREASE) IN CASH AND CASH EQUIVALENTS (55,137)

CASH AND CASH EQUIVALENTS

Balance at July 1, 2014	<u>541,469</u>
Balance at June 30, 2015	<u>\$ 486,332</u>

See notes to financial statements

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS - CONTINUED
YEAR ENDED JUNE 30, 2015**

**RECONCILIATION OF OPERATING (LOSS) TO NET CASH
(USED) BY OPERATING ACTIVITIES**

Operating (loss)	\$ (428,757)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities	
Depreciation	99,982
Other nonoperating expenses	(1,667)
Net change in pension related accounts	(23,519)
Changes in assets and liabilities	
Accounts receivable	23,577
Due from Tennessee Emergency Communications Board	57,963
Accounts payable	7,496
Accrued payroll	1,840
Accrued expenses	3,560
Compensated absences	<u>(1,313)</u>
	<u>167,919</u>

NET CASH (USED) BY OPERATING ACTIVITIES \$ (260,838)

**NONCASH INVESTING, CAPITAL AND
FINANCING ACTIVITIES**

Interest credited to certificates of deposit

	<u>\$ 5,402</u>
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See notes to financial statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL STATEMENT - Tipton County Emergency Communications District (District) complies with accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The District applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect).

FINANCIAL REPORTING ENTITY - The District is a component unit of Tipton County, Tennessee, the primary government unit. The District is considered a component unit of Tipton County because Tipton County appoints a majority of the District's Board of Directors, and the District must obtain County Commission approval before the issuance of most debt and/or the County Commission has the ability to adjust the District's service charges. The financial statements present only the financial position and changes in financial position of the District and are not intended to present fairly the financial position of Tipton County, Tennessee and the changes in its financial position in conformity with U.S. generally accepted accounting principles.

The District was formed by the Tipton County Legislature under provisions of Tennessee law on June 30, 1988. As such, it is a public corporation authorized to maintain and operate an emergency communications system providing 911 service within the boundaries of Tipton County, Tennessee. Under law it is a body politic, without powers of taxation, governed by an appointed nine-member Board of Directors. It is funded by monthly user fees, or tariff rates, charged on each resident and business telephone within the County, contributions from participating governments, and by funding from the Tennessee Emergency Communications Board.

BASIS OF PRESENTATION - The financial statements of the District are organized into a fund, which is considered to be a separate accounting entity. The fund is accounted for by providing a set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenses. The financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

PROPRIETARY FUND

Enterprise Fund - An Enterprise Fund is used to account for business-like activities that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Enterprise Fund accounts for the operations of the emergency communications system. Operating revenues are derived principally from service charges and funding from the Tennessee Emergency Communications Board.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Measurement focus is a term used to describe “which” transactions are recorded within the financial statements.

The proprietary fund is accounted for using the “economic resources” measurement focus. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as 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.

Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. Proprietary funds utilize the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

DEPOSITS - Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. Although the District has not formally adopted a policy regarding collateralization of deposits, the District follows collateralization requirements of State statutes.

INVESTMENTS - State statutes authorize the District to invest in obligations of the U.S. Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest by the United States or any of its agencies, repurchase agreements, the Tennessee local government investment pool, and certificates of deposit at state and federally chartered banks and savings and loan associations. The District has not adopted a formal investment policy that limits its interest rate or credit risk.

Investments with a remaining maturity of more than one year at the time of purchase are reported at fair value as determined by quoted market prices. Short-term investments are reported at amortized cost, which approximates fair value.

CAPITAL ASSETS - Capital assets include property and equipment. The District has adopted a formal capitalization policy whereby assets with an individual cost of at least \$7,500 and an estimated useful life in excess of one year are capitalized. The District’s assets are capitalized at historical cost or estimated historical cost. Gifts or contributions of capital assets are recorded at fair value when received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

CAPITAL ASSETS - CONTINUED

A provision for depreciation is made on a basis considered adequate to amortize costs over the assets' estimated useful lives using the straight-line method. Useful lives are estimated at 15-30 years for leasehold improvements and at 5-10 years for all other capital assets.

RESTRICTED RESOURCES - The District elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - 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 future period(s) and thus, 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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NET POSITION - Equity is classified as net position and displayed in the following three components:

Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation.

Restricted - Consists of net position for which constraints are placed thereon by outside sources or external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.

Unrestricted - All other net position that do not meet the description of the above categories.

CASH FLOWS - For purposes of reporting cash flows, cash consists of cash on hand and on deposit with banks. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Certificates of deposit with original maturities of three months or more when purchased are classified as investments.

COMPENSATED ABSENCES - Vacation pay for employees is accrued as an expense at the time the employees have a vested right to receive it. Sick leave is not accrued as the employees never have a vested right to receive it.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BUDGETS - The District prepares a budget for management monitoring and control and to comply with Tennessee law. The budget, which is prepared at the line item level, is approved by the Board of Directors and is on a basis generally consistent with generally accepted accounting principles. Appropriations lapse at the end of the year.

PENSION - For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the 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) 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.

CHANGE IN ACCOUNTING PRINCIPLE - As a result of implementing GASB No. 68, "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27", the District has restated its beginning net position by increasing net position as of July 1, 2014 by \$166,975. Information is not available to determine the effect on the prior June 30, 2014 financial statement's change in net position.

NOTE 2 - DEPOSITS AND INVESTMENTS

The bank balances of deposits as of June 30, 2015 were entirely insured by federal depository insurance or by the Bank Collateral Pool of the State of Tennessee.

The only investments were certificates of deposit of more than 90 days to original maturity when purchased.

NOTE 3 - CAPITAL ASSETS

Capital asset activity during the year was as follows:

	<u>BALANCE</u> <u>JULY 1, 2014</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2015</u>
Capital assets not being depreciated				
Equipment not in use	\$ 2,000	\$ -	\$ (2,000)	\$ -
Construction in progress	<u>-</u>	<u>63,806</u>	<u>-</u>	<u>63,806</u>
Total capital assets not being depreciated	<u>2,000</u>	<u>63,806</u>	<u>(2,000)</u>	<u>63,806</u>

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2015**

NOTE 3 - CAPITAL ASSETS - CONTINUED

	<u>BALANCE JULY 1, 2014</u>	<u>ADDITIONS</u>	<u>TRANSFERS/ DELETIONS</u>	<u>BALANCE JUNE 30, 2015</u>
Other capital assets				
Communication equipment	\$ 1,092,760	\$ 74,690	\$ -	\$ 1,167,450
Furniture	15,430	-	-	15,430
Vehicle	22,750	-	-	22,750
Leasehold improvements	<u>33,460</u>	<u>-</u>	<u>-</u>	<u>33,460</u>
Total other capital assets at historical cost	<u>1,164,400</u>	<u>74,690</u>	<u>-</u>	<u>1,239,090</u>
Less accumulated depreciation				
Communication equipment	(537,020)	(98,441)	-	(635,461)
Furniture	(15,430)	-	-	(15,430)
Vehicle	(22,750)	-	-	(22,750)
Leasehold improvements	<u>(11,356)</u>	<u>(1,541)</u>	<u>-</u>	<u>(12,897)</u>
Total accumulated depreciation	<u>(586,556)</u>	<u>(99,982)</u>	<u>-</u>	<u>(686,538)</u>
Other capital assets, net	<u>577,844</u>	<u>(25,292)</u>	<u>-</u>	<u>552,552</u>
Capital assets, net	<u>\$ 579,844</u>	<u>\$ 38,514</u>	<u>\$ (2,000)</u>	<u>\$ 616,358</u>

Depreciation expense for the year ended June 30, 2015 was \$99,982.

The District occupies space in a county-owned building at no rent expense.

NOTE 4- RISK FINANCING ACTIVITIES

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, employment practices, public officials liability, worker's compensation, and employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 5 - COMMITMENT

As of June 30, 2015, the balance of project costs related to moving a digital site to atop another water tower were approximately \$24,000.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2015**

NOTE 6 - PENSION PLAN

General Information about the Pension Plan

PLAN DESCRIPTION - Employees of the District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-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	4
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>16</u>

27

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2015**

NOTE 6 - PENSION PLAN - CONTINUED

General Information about the Pension Plan - Continued

CONTRIBUTIONS - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The 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 the District were \$47,790 based on a rate of 8.10 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the 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 cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The 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 on the measurement:

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 pension plan investment expenses, 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.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2015**

NOTE 6 - PENSION PLAN - CONTINUED

Net Pension Liability (Asset) - Continued

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:

<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%	<u>1%</u>
Total		<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 the 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.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2015**

NOTE 6 - PENSION PLAN - CONTINUED

Changes in Net Pension Liability (Asset)

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY (a)	PLAN FIDUCIARY NET POSITION (b)	NET PENSION LIABILITY (ASSET) (a) - (b)
BALANCE AT 6/30/13	\$ 560,678	\$ 680,216	\$ (119,538)
CHANGES FOR THE YEAR			
Service cost	46,506	-	46,506
Interest	45,340	-	45,340
Differences between expected and actual experience	(26,050)	-	(26,050)
Contributions - employer	-	47,437	(47,437)
Contributions - employees	-	-	-
Net investment income	-	116,175	(116,175)
Benefit payments, including refunds of employee contributions	(5,307)	(5,307)	-
Administrative expense	-	(612)	612
NET CHANGES	<u>60,489</u>	<u>157,693</u>	<u>(97,204)</u>
BALANCE AT 6/30/14	<u>\$ 621,167</u>	<u>\$ 837,909</u>	<u>\$ (216,742)</u>

SENSITIVITY OF THE NET PENSION LIABILITY (ASSET) TO CHANGES IN THE DISCOUNT RATE - The following presents the net pension liability (asset) of the 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%)
District's net pension liability (asset)	\$ (79,917)	\$ (216,742)	\$ (323,730)

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, the District recognized pension expense of \$24,271.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2015**

NOTE 6 - PENSION PLAN - CONTINUED

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

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES - For the year ended June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>DEFERRED INFLOWS OF RESOURCES</u>
Differences between expected and actual experience	\$ -	\$ 23,156
Net difference between projected and actual earnings on pension plan investments	-	50,882
Contributions subsequent to the measurement date of June 30, 2014	<u>47,790</u>	<u>-</u>
Total	<u>\$ 47,790</u>	<u>\$ 74,038</u>

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	\$ (15,614)
2017	(15,614)
2018	(15,614)
2019	(15,614)
2020	(2,894)
Thereafter	(8,682)

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

Payable to the Pension Plan

At June 30, 2015, the District reported a payable of \$3,371 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS
LAST FISCAL YEAR ENDING JUNE 30**

	2014
TOTAL PENSION LIABILITY	
Service cost	\$ 46,506
Interest	45,340
Changes in benefit terms	-
Differences between actual and expected experience	(26,050)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(5,307)
Net change in total pension liability	60,489
TOTAL PENSION LIABILITY, BEGINNING OF YEAR	560,678
TOTAL PENSION LIABILITY, END OF YEAR	\$ 621,167
PLAN FIDUCIARY NET POSITION	
Contributions from employer	\$ 47,437
Contributions from employees	-
Net investment income	116,175
Benefit payments, including refunds of employee contributions	(5,307)
Administrative expense	(612)
Net change in plan fiduciary net position	157,693
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	680,216
PLAN FIDUCIARY NET POSITION, END OF YEAR	\$ 837,909
NET PENSION LIABILITY (ASSET)	\$ (216,742)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	134.89%
COVERED EMPLOYEE PAYROLL	\$ 588,547
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	36.83%

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

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
LAST FISCAL YEAR ENDING JUNE 30**

	2014	2015
Actuarially determined contribution	\$ 47,437	\$ 47,790
Contributions in relation to the actuarially determined contribution	47,437	47,790
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 588,547	\$ 590,389
Contributions as a percentage covered employee payroll	8.06%	8.10%

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

NOTES TO SCHEDULE

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 years)
Remaining amortization period	1 year
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

SCHEDULE

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON
YEAR ENDED JUNE 30, 2015**

	ACTUAL	BUDGET		VARIANCE WITH FINAL BUDGET UNDER(OVER)
		ORIGINAL	FINAL	
OPERATING REVENUES				
Emergency telephone service charges				
AT&T	\$ 52,187	\$ 66,000	\$ 61,572	\$ 9,385
Ritter Communications	69,805	78,000	78,000	8,195
Other	10,140	8,044	8,044	(2,096)
Tennessee Emergency Communications Board				
Shared wireless charge	57,212	74,025	74,025	16,813
Operational funding	119,815	145,639	145,639	25,824
Base funding	<u>364,821</u>	<u>364,819</u>	<u>364,819</u>	<u>(2)</u>
TOTAL OPERATING REVENUES	<u>673,980</u>	<u>736,527</u>	<u>732,099</u>	<u>58,119</u>
OPERATING EXPENSES				
Salaries and wages				
Director	49,538	50,546	50,546	1,008
Administrative personnel	36,955	38,389	38,389	1,434
Dispatchers				
Regular	488,148	542,589	542,589	54,441
Overtime	18,563	8,000	20,000	1,437
Part time personnel	<u>15,925</u>	<u>18,000</u>	<u>18,000</u>	<u>2,075</u>
	<u>609,129</u>	<u>657,524</u>	<u>669,524</u>	<u>60,395</u>
Employee benefits				
Payroll taxes				
Social security tax	37,345	40,767	40,767	3,422
Medicare tax	8,734	9,535	9,535	801
Unemployment insurance	1,841	1,800	1,800	(41)
Insurance				
Life	1,236	1,368	1,368	132
Health	119,912	134,000	134,000	14,088
Retirement	<u>24,271</u>	<u>51,539</u>	<u>51,539</u>	<u>27,268</u>
	<u>193,339</u>	<u>239,009</u>	<u>239,009</u>	<u>45,670</u>
Contracted services				
Advertising	163	360	360	197
Audit and accounting services				
Audit services	6,900	6,900	6,900	-
Accounting	3,758	4,680	4,680	922
Private	14,173	13,344	14,173	-
Legal services	-	1,500	1,500	1,500
NCIC/TBI/TIES expenses	2,260	2,280	2,280	20

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON - CONTINUED
YEAR ENDED JUNE 30, 2015**

	<u>ACTUAL</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET UNDER(OVER)</u>
		<u>ORIGINAL</u>	<u>FINAL</u>	
OPERATING EXPENSES - CONTINUED				
Contracted services - continued				
Maintenance				
Maintenance agreements	\$ 40,603	\$ 46,992	\$ 46,992	\$ 6,389
Maintenance and repairs -				
Communication equipment . .	23,736	7,754	7,754	(15,982)
Vehicle maintenance	817	1,000	1,000	183
Vehicle fuel	899	1,800	1,800	901
Noncapitalized equipment				
Other equipment	334	1,000	1,000	666
Other contracted services				
Service fees	53,007	55,000	55,000	1,993
Lease/rental - communication equipment	2,500	2,634	2,634	134
Lease/rental - building and facilities	-	3,012	3,012	3,012
Other	-	1,000	1,000	1,000
	<u>149,150</u>	<u>149,256</u>	<u>150,085</u>	<u>935</u>
Supplies and materials				
Office supplies and postage				
Office supplies	3,250	4,000	4,000	750
Postage	294	500	500	206
Noncapitalized equipment	5,736	5,000	5,000	(736)
Other supplies				
Custodial supplies	737	1,000	1,000	263
Other supplies	1,405	1,000	1,405	-
Utilities and telephone				
Electric	1,951	5,300	5,300	3,349
Telephone	10,886	12,600	12,600	1,714
	<u>24,259</u>	<u>29,400</u>	<u>29,805</u>	<u>5,546</u>
Other charges				
Other				
Bank charges	468	780	780	312
Dues and memberships	977	1,200	1,200	223
Internet	2,522	2,400	2,486	(36)
Miscellaneous	57	1,520	1,520	1,463
TENA meeting	2,716	-	2,716	-
Insurance				
Workmens compensation	2,349	3,500	3,500	1,151
Liability	10,048	10,000	10,000	(48)
Vehicle	1,317	1,200	1,310	(7)
Licenses and fees	1,310	1,008	1,310	-
Surety bond	1,512	1,800	1,800	288

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON - CONTINUED
YEAR ENDED JUNE 30, 2015**

	<u>ACTUAL</u>	<u>BUDGET</u>		<u>VARIANCE WITH FINAL BUDGET UNDER(OVER)</u>
		<u>ORIGINAL</u>	<u>FINAL</u>	
OPERATING EXPENSES - CONTINUED				
Other charges - continued				
Training and travel				
Travel	\$ 1,992	\$ 1,453	\$ 1,453	\$ (539)
Other	<u>1,610</u>	<u>1,604</u>	<u>1,604</u>	<u>(6)</u>
	<u>26,878</u>	<u>26,465</u>	<u>29,679</u>	<u>2,801</u>
Depreciation	<u>99,982</u>	<u>121,039</u>	<u>121,039</u>	<u>21,057</u>
TOTAL OPERATING EXPENSES	<u>1,102,737</u>	<u>1,222,693</u>	<u>1,239,141</u>	<u>136,404</u>
OPERATING (LOSS)	<u>(428,757)</u>	<u>(486,166)</u>	<u>(507,042)</u>	<u>(78,285)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	6,592	12,000	12,000	5,408
Contributions from governments				
Primary government	200,000	203,842	200,000	-
Other governments				
Town of Atoka	56,643	56,643	56,643	-
Town of Brighton	28,068	28,068	28,068	-
City of Covington	124,242	124,242	124,242	-
Town of Mason	15,207	15,207	15,207	-
City of Munford	46,164	46,164	46,164	-
Other	<u>(1,667)</u>	<u>-</u>	<u>-</u>	<u>1,667</u>
TOTAL NONOPERATING REVENUES (EXPENSES) ...	<u>475,249</u>	<u>486,166</u>	<u>482,324</u>	<u>7,075</u>
CHANGE IN NET POSITION	46,492	-	(24,718)	(71,210)
NET POSITION				
Balance at July 1, 2014, as restated .	<u>2,470,943</u>	<u>2,470,943</u>	<u>2,470,943</u>	<u>-</u>
Balance at June 30, 2015	<u>\$ 2,517,435</u>	<u>\$ 2,470,943</u>	<u>\$ 2,446,225</u>	<u>\$ (71,210)</u>

**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
Tipton County Emergency Communications District
Covington, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Tipton 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 Tipton County Emergency Communications District's basic financial statements and have issued our report thereon dated November 11, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness (Item No. 2015-001).

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tipton County Emergency Communications District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as Items No. 2015-002 and 2015-003.

Tipton County Emergency Communications District's Responses to Findings

Tipton County Emergency Communications District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Tipton County Emergency Communications District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of 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.



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

Material Weakness

Item No. 2015-001: Adjustment of General Ledger Account Balances

Condition: Audit adjustments are proposed when necessary to correct material misstatements in general ledger account balances. The District had not recorded journal entries related to the implementation of GASB No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27." These adjustments had the effect of increasing beginning net position and change in net position by approximately \$167,000 and \$23,500, respectively.

Criteria: The District is responsible for internal controls over the adjustment of its general ledger account balances.

Effect: The general ledger account balances for net position and operating expenses were misstated.

Recommendation: Appropriate care should be taken to ensure that general ledger account balances are properly stated prior to commencement of the audit.

Management response: We will continue to seek assistance when necessary to record items properly to avoid any material misstatement.

Compliance and Other Matters

Item No. 2015-002: Line Item Budget Overruns

Condition: Although total operating expenses were within the total final budget amount, an instance was noted where the actual amount for repair and maintenance expense exceeded the line item final budget amount by \$15,982. Also, seven additional instances were noted where the actual amounts exceeded the line item final budget amounts by a collective total of \$1,413.

Criteria: Since the budget is adopted on a line item basis, the level of budgetary control is on a line item basis.

Effect: There was one material line item budget overrun and seven immaterial line item budget overruns for the year.

Recommendation: The budget should be amended prior to year end so that actual expenses are within line item budget amounts.

Management response: The increase in repair and maintenance due to items being expensed rather than capitalized was not fully accounted for in adjusting the budget. In the future, we will take care to amend the budget in sufficient amounts.

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

Compliance and Other Matters - Continued

Item No. 2015-003: Surety Bond Coverage

Condition: Instances were noted where employees handling public funds were not insured with surety bond coverage.

Criteria: *Tennessee Code Annotated, Section 74-86-119* states, "Any board member, executive committee member, employee, officer, or any other authorized person of an emergency communications district, who received public funds, has authority to make expenditures from public funds, or has access to any public funds is hereby required to give bond made payable to the State of Tennessee with such sureties as provided in this section.

Effect: There exists the potential for a misappropriation of funds perpetrated by an individual not insured with surety bond coverage.

Recommendation: We recommend that the entity insure each individual with access to public funds with surety bond coverage as soon as possible.

Management response: This issue is currently being discussed with the Board, and a resolution will be agreed upon and implemented in the near future.

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2015**

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2011-001	Adjustment of General Ledger Account Balances (Original finding #2011-001)	Repeated
2014-001	Line Item Budget Overruns (Original finding #2014-001)	Repeated