

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

**EMERGENCY COMMUNICATIONS
DISTRICT OF BEDFORD COUNTY**
(a component unit of Bedford County, Tennessee)

Shelbyville, Tennessee
June 30, 2016

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

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ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT OFFICIALS
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

June 30, 2016

BOARD OF DIRECTORS:

Curt Cobb - Chairman

Chris White - Vice Chairman

Scott Johnson - Secretary - Treasurer

Mark Thomas

Tony Barrett

Roger Hawks

Philip Gentry

Mickey Casson

Joey Storey

MANAGEMENT OFFICIALS:

Phillip Noel - Director

EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

(a component unit of Bedford County, Tennessee)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2016

As management of the Emergency 911 Communications District of Bedford County (hereinafter referred to as the *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, 2016. Please read this discussion in conjunction with the *District's* financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes the management's discussion and analysis report, the independent auditor's report and the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the *District* report information of the *District* using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities. The Statement of Net Position includes all of the *District's* assets and liabilities and provides information about where the *District* has invested its resources (assets) and the obligations to the *District's* creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the *District's* operations over the past year and can be used to determine whether the *District* has successfully recovered all of its operating costs through the receipt of its pro-rata share of surcharges and fees.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where cash comes from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the *District's* finances is, "Is the District better off financially or has its condition worsened 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 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 and financial position. Over time, increases and decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. A summary of the *District's* net position and changes in them is presented on the following page

Condensed Statement of Net Position

	June 30, <u>2016</u>	June 30, <u>2015</u>	<u>Differences</u>
Current and other assets	\$ 1,681,966	\$ 1,551,304	\$ 130,662
Capital assets	<u>380,180</u>	<u>472,453</u>	<u>(92,273)</u>
Total assets	<u>2,062,146</u>	<u>2,023,757</u>	<u>38,389</u>
Total deferred outflows of resources	<u>52,829</u>	<u>19,493</u>	<u>33,336</u>
Long-term liabilities outstanding	-	-	-
Current liabilities	<u>37,612</u>	<u>53,337</u>	<u>(15,725)</u>
Total liabilities	<u>37,612</u>	<u>53,337</u>	<u>(15,725)</u>
Total deferred inflows of resources	<u>63,645</u>	<u>61,734</u>	<u>1,911</u>
Net position:			
Net investment in capital assets	380,180	472,453	(92,273)
Unrestricted	<u>1,633,538</u>	<u>1,455,726</u>	<u>177,812</u>
Total net position	<u>\$ 2,013,718</u>	<u>\$ 1,928,179</u>	<u>\$ 85,539</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30, <u>2016</u>	June 30, <u>2015</u>	<u>Differences</u>
<u>Revenues:</u>			
Operating revenues	\$ 625,055	\$ 560,505	\$ 64,550
Nonoperating revenues	<u>409,244</u>	<u>994,582</u>	<u>(585,338)</u>
Total revenues	<u>1,034,299</u>	<u>1,555,087</u>	<u>(520,788)</u>
<u>Expenses:</u>			
Depreciation expense	114,674	123,040	(8,366)
Other operating expense	830,555	791,629	38,926
Nonoperating expense	<u>3,531</u>	<u>2,061</u>	<u>1,470</u>
Total expenses	<u>948,760</u>	<u>916,730</u>	<u>32,030</u>
Change in net position	85,539	638,357	(552,818)
Beginning net position	<u>1,928,179</u>	<u>1,289,822</u>	<u>638,357</u>
Ending net position	<u>\$ 2,013,718</u>	<u>\$ 1,928,179</u>	<u>\$ 85,539</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION

As can be seen from the above summarized financial information, the *District's* net position increased approximately \$85,539 during the year ended June 30, 2016. There was a decrease in revenue of \$520,788 and total expenses decreased by \$32,030.

THE DISTRICT'S NET POSITION

The *District* completed the year with net position of \$2,013,718 which is approximately \$85,539 more than the prior year's ending net position of \$1,928,179.

BUDGETARY HIGHLIGHTS

The *District* adopts an annual operating budget which includes proposed expenses and the means for paying these expenses. As conditions change during the year the budget may be amended to prevent budget overruns.

Income received from the collections of residential phone lines was \$5,706 more than the budgeted income. Income received from the distribution of excess revenue was \$11,786 more than the budgeted income. The amount of excess revenue is hard to budget because it is not a guaranteed amount.

Additionally, the *District* is still engaged with other 911 Districts across the State of Tennessee in a class-action suit against AT&T to determine if AT&T has intentionally misreported its number of land lines, specifically in the proliferation of high-speed T-1 lines and fiber optic products which allow for dozens of telephone numbers per line.

CAPITAL ASSETS

The *District's* investment in capital assets amounts to \$1,274,757 with accumulated depreciation of \$894,577. Capital assets include the capital leases, communication equipment, building improvements, and communication software upgrades.

LONG-TERM LIABILITIES

The *District* had \$0 in long-term debt obligations outstanding as of June 30, 2016.

ECONOMIC FACTORS AND FUTURE NEEDS

The fiscal year ending June 30, 2016 marked the end of the first full accounting period in which the district received operating revenue based on the uniform rate of \$1.16 for all devices and VOIP lines. All grants and periodic supplements from the TECB were no longer available. Revenue for the year proved to be stable and met the base revenue projections set forth before the rate went into place.

While the revenue stream has stabilized, efficiency of collections from all of the carriers still proves to be a challenge. Thus, in the previous legislative session, a bill was passed that moved the collection of revenue function from the TECB to the Department of Revenue. The Department of Revenue is equipped to more adequately review and enforce payments from all carriers which, in turn, could provide for a future net increase in revenue for the Districts across Tennessee. This transition of function is still underway and some time will be needed before results can be quantified.

In addition to the base amount guaranteed to all Districts, a provision was put in place to account for, and distribute back to the Districts, any excess revenue generated over and above the guaranteed base amount. 50% of any excess revenue will be distributed to the Districts based on a pre-determined formula, while the remaining 50% will stay at the TECB to cover operating expenses. Once all of the expenses have been covered, any remaining funds from the TECB's 50% will also be distributed to the Districts. In the fiscal year that ended June 30, 2016, \$11,786 in excess revenue was realized by the Bedford County Emergency Communications District.

While the funding stabilization has been positive for the BCECD, there are still some Districts that remain, or are becoming, distressed. For this reason, the rate of \$1.16 will need to be studied further to determine the adequacy of the rate and the full long-term impact it may have on all Districts across Tennessee.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Emergency Communications District of Bedford County
Shelbyville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Emergency Communications District of Bedford County, a component unit of Bedford County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Emergency Communications District of Bedford County'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 Emergency Communications District of Bedford County, Tennessee as of June 30, 2016, and the changes in financial position and its cash flows 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 7 and the pension information appearing on pages 24 and 25 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 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Emergency Communications District of Bedford County's basic financial statements. The introductory section and the supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2016, on our consideration of Emergency Communications District of Bedford County's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Emergency Communications District of Bedford County's internal control over financial reporting and compliance.

Winnett Associates, PLLC

Shelbyville, Tennessee
September 27, 2016

STATEMENT OF NET POSITION
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

June 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,505,744
Due from primary government	23,438
Prepaid expenses	33,768
TOTAL CURRENT ASSETS	1,562,950

CAPITAL ASSETS

Building and improvements	253,799
Furniture and fixtures	81,922
Office equipment	27,996
Communications equipment	744,084
Vehicles	45,150
Intangibles	92,654
Other capital assets	29,152
	<u>1,274,757</u>
Less: accumulated depreciation	894,577
TOTAL CAPITAL ASSETS, NET	380,180

OTHER ASSETS

Net pension asset	118,916
Security deposits	100
TOTAL OTHER ASSETS	119,016
TOTAL ASSETS	2,062,146

DEFERRED OUTFLOWS OF RESOURCES

Pension changes in investment earnings	28,889
Pension contributions after measurement date	19,328
Pension other deferral	4,612
TOTAL DEFERRED OUTFLOWS OF RESOURCES	52,829

CURRENT LIABILITIES

Compensated absences payable	19,378
Payroll deductions payable	3,253
Accrued payroll	14,981
TOTAL CURRENT LIABILITIES	37,612

DEFERRED INFLOWS OF RESOURCES

Pension changes in experience	19,256
Pension changes in investment earnings	38,439
Pension changes in proportion of net pension asset	5,950
TOTAL DEFERRED INFLOWS OF RESOURCES	63,645

NET POSITION

Investment in capital assets	380,180
Unrestricted	1,633,538
TOTAL NET POSITION	\$ 2,013,718

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

Year ended June 30, 2016

OPERATING REVENUES	
TECB distribution of 911 surcharges	\$ 611,706
TECB distribution of excess revenue	11,786
Other operating revenues	1,563
TOTAL OPERATING REVENUES	625,055
OPERATING EXPENSES	
Salaries and Wages:	
Director	53,741
Assistant director	34,671
Dispatchers	246,368
Overtime pay	60,314
Part-time personnel	640
Other salaries and wages	33,552
Total Salaries and Wages	429,286
Employee Benefits:	
Social security	25,295
Medicare	5,916
Life insurance	645
Medical insurance	42,609
Unemployment compensation	1,635
Negative pension expense	(12,074)
Total Employee Benefits	64,026

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)

EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

(a component unit of Bedford County, Tennessee)

Year ended June 30, 2016

Contracted Services:

Addressing/Mapping expenses	\$	15,228
Audit services		7,500
Fees paid to service providers		118,696
Legal services		10,200
Maintenance agreements		36,000
NCIC/TBI/TIES expenses		4,930
Pest control		1,015
		<hr/>
Total Contracted Services		193,569

Supplies and Materials:

Office supplies		1,466
Janitorial supplies		1,423
Postage		643
Uniforms and shirts		1,517
Utilities-electric		13,679
Utilities-gas		818
Utilities-general telephone		14,223
Utilities-cell phone and pagers		2,869
Utilities-general telephone (call center lines)		20,158
Cable and internet charges		6,980
Maintenance and repairs-communications equipment		36,724
Maintenance and repairs-buildings and facilities		7,845
Maintenance and repairs-office equipment		45
Maintenance and repairs-vehicles		97
Fuel-gasoline and diesel		487
		<hr/>
Total Supplies and Materials		108,974

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)

EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

(a component unit of Bedford County, Tennessee)

Year ended June 30, 2016

Other Charges:

Board meeting expenses	\$	829
Dues and memberships		3,810
Insurance-workers compensation		3,047
Insurance-buildings and contents		8,030
Insurance-vehicles		1,695
Legal notices		745
Premiums on surety bonds		350
Training expenses		9,982
Travel expenses		<u>6,212</u>
Total Other Charges		<u>34,700</u>

Depreciation Expense

114,674

TOTAL OPERATING EXPENSES 945,229

OPERATING INCOME (LOSS) (320,174)

NONOPERATING REVENUES (EXPENSES):

Interest income	2,615
Contributions from primary government	405,813
Loss on disposal of property	(3,531)
Insurance reimbursements	<u>816</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>405,713</u>

CHANGE IN NET POSITION 85,539

NET POSITION - BEGINNING OF PERIOD 1,928,179

NET POSITION - END OF PERIOD \$ 2,013,718

The accompanying notes are an integral part of this financial statement.

STATEMENT OF CASH FLOWS
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

Year ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from surcharges and other revenues	\$ 625,055
Cash payments to suppliers for goods and services	(356,227)
Cash payments for payroll, taxes, and related benefits	(521,956)
NET CASH USED BY OPERATING ACTIVITIES	(253,128)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Contributions from primary government	406,539
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	406,539
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds received from insurance claim	816
Proceeds from disposal of assets	150
Acquisition of capital assets	(26,082)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(25,116)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	2,615
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,615
NET INCREASE IN CASH	130,910
CASH, JULY 1, 2015	1,374,834
CASH, JUNE 30, 2016	\$ 1,505,744
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (320,174)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities -	
Depreciation	114,674
Change in assets, deferred outflows, liabilities, and deferred inflows:	
Prepaid expenses	(500)
Net pension asset	23
Pension deferrals	(31,426)
Accounts payable	(14,600)
Payroll deductions payable	(520)
Compensated absences payable	(3,884)
Accrued payroll	3,279
NET CASH USED BY OPERATING ACTIVITIES	\$ (253,128)
CASH PAID DURING THE YEAR FOR INTEREST	\$ -

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

On May 15, 1984, the Tennessee state legislature approved the “Tennessee Emergency Communications District Law” (Acts 1984, ch. 867) which enables a county, upon approval by voters, to create a district to provide local emergency telephone service. Subsequently, in July 1987, the county legislative body of Bedford County, Tennessee approved the establishment of a district for their county, the Emergency Communications District of Bedford County (the “District”). As provided by the Act, the District operates as a governmental organization through the directives of a nine-member board of directors and provides enhanced 9-1-1 emergency telephone services for its service area. The directors serve without compensation for terms of three to four years.

Financial Reporting Entity – Component Unit

Legally, the District is a separate governmental entity that has considerable legal, financial and administrative autonomy. However, as the governing board is not elected but instead is entirely appointed by the Bedford County mayor and approved by the Bedford County commission, the District is considered a component unit of Bedford County.

Pursuant to Tennessee Code Annotated 7-86-114, before issuing negotiable bonds, the District must have approval of the legislative body of the county wherein the District is established. It also must have approval before making purchase contracts, lease agreements, and notes payable of over five years’ duration. In addition, the Bedford County commission has the ability to adjust the District’s service charges.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District does not have the authority to levy or collect taxes but is supported instead by the fees collected from telephone subscribers who benefit from the availability of its service. It recovers the cost of providing its services from its customers. Consequently, the District functions in a manner similar to a private business enterprise.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District’s assets, liabilities, net position, revenues and expenses. Proprietary fund types are reported using the economic resources measurement focus and the accrual basis of accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entity's net position. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Operating revenues in proprietary fund types are those revenues generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

NOTES TO FINANCIAL STATEMENTS (continued)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Law and Practice

The treasurer of the District files an annual budget with the mayor of Bedford County in accordance with the Tennessee Code Annotated, Title 7, Chapter 86, Part 1. In March of each year, the treasurer presents a preliminary budget to the board of directors. The budget is then discussed and amended as necessary for approval by the board.

The budget for operations is prepared on the cash receipts and disbursements basis by line item accounts. Revenues are budgeted in the year receipt is expected and disbursements are budgeted in the year that the disbursement is expected to occur. Capital asset purchases and capital lease payments are budgeted in total.

Capital Assets

Capital assets are stated at cost or estimated historical cost if actual cost is not available. Maintenance, repairs, and minor renewals are expensed while major renewals and betterments are capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of three years. When items of property are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included as nonoperating revenue or loss.

Depreciation is provided over estimated useful lives ranging from five to forty years using the straight-line method.

Use of Estimates

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

Cash Flow – Cash and Cash Equivalents

The District presents its cash flow statement using the direct method. For purposes of cash flow presentation, the District considers cash in operating bank accounts, cash on hand, amounts invested in the State Treasurer's Investment Pool, and certificates of deposit with an original maturity of 90 days or less to be cash and cash equivalents. At June 30, 2016, the District did not hold any certificates of deposit.

Use of Facilities

The District conducts its operations in a building owned by Bedford County at no cost to the District. The measurement of the contribution from Bedford County is not considered significant for disclosure as in-kind support and expense in the accompanying statements of revenue, expenses, and changes in net position.

NOTES TO FINANCIAL STATEMENTS (continued)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position Flow Assumption

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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/expenditure) until then. The District has three items that qualify for reporting in this category resulting from the pension plan. See note F for further information concerning deferred outflows related to the pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category resulting from the pension plan. See note F for further information concerning deferred inflows related to the pension plan.

Pensions

For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense/income, 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.

NOTE B - CASH AND CASH EQUIVALENTS

Cash - At June 30, 2016, the carrying amount of cash deposits was \$504,700 and the bank balance was \$541,998. At June 30, 2016, the entire bank balance was covered by federal depository insurance, or by collateral held in the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool (the Pool) is a multiple financial institution collateral pool to which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the members of the pool if the value of collateral is inadequate to cover a loss.

NOTES TO FINANCIAL STATEMENTS (continued)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)
June 30, 2016

NOTE B - CASH AND CASH EQUIVALENTS (continued)

Investments

Legal provisions: State statutes authorize the District to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer’s Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and nonconvertible debt securities of certain federal government sponsored enterprises. These investments may not have a maturity greater than two years. The District has no investment policy that would further limit its investment choices.

Investments in the State Treasurer’s Investment Pool are reported at amortized cost. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. As of June 30, 2016, the District had \$1,001,044 held in the State Treasurer’s Investment Pool. As of June 30, 2016, the District held no investments required to be reported at fair value.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. U.S. obligations are implicitly guaranteed by the U.S. government and therefore are not considered to have credit risk. Governmental accounting standards require disclosure of credit quality rating for external investment pools; however, the State Treasurer’s Investment Pool is unrated.

Cash and cash equivalents are presented in the financial statements as follows:

<u>Cash Accounts</u>	<u>Interest Rate</u>	<u>Carrying Amount</u>
First Bank checking	.10%	\$ 504,700
State Treasurer’s Investment Pool	.33%	<u>1,001,044</u>
		<u>\$ 1,505,744</u>

NOTE C - 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. The District obtains insurance coverage covering the above risks of loss through a public risk entity pool, Tennessee Risk Management Trust (TRMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The creation of the TRMT provides for it to be self-sustaining through member premiums. Settled claims have not exceeded the coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS (continued)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)
June 30, 2016

NOTE D - INTERLOCAL AGREEMENT

The District and Bedford County have entered into an agreement dated January 15, 2004. The agreement acknowledges the District's authority to manage communications at the central public safety answering point (PSAP) as well as to take steps considered necessary for the purpose of attaining financial self-sufficiency. Significant terms include the District's responsibility to pay all costs that relate to maintenance of the PSAP equipment, annual budgets of the District will only be approved after acceptance by the County, and provides that the employees of the District shall receive benefits generally provided to the employees of the County. Under the agreement the County must provide funding to the District equal to the net amount of money required to be paid to the District after contributions of the District and other funding sources have been applied. The agreement will automatically renew unless either party gives the other written notice subject to certain specifications set out in the agreement.

Though not required by the interlocal agreement, the County has agreed to provide funding to the District equal to the cost of the dispatchers salaries, including benefits. Contributions from the County totaled \$405,813 for the year ended June 30, 2016.

NOTE E - CAPITAL ASSETS

Capital assets are summarized as follows:

	June 30, <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	June 30, <u>2016</u>
<u>Capital assets, being depreciated -</u>				
Building and improvements	\$ 227,717	\$ 26,082	\$ -	\$ 253,799
Furniture and fixtures	90,188	-	(8,266)	81,922
Office equipment	47,185	-	(19,189)	27,996
Communications equipment	744,084	-	-	744,084
Vehicle	45,150	-	-	45,150
Intangibles	29,152	-	-	29,152
Other fixed assets	<u>94,869</u>	<u>-</u>	<u>(2,215)</u>	<u>92,654</u>
Subtotal	1,278,345	26,082	(29,670)	1,274,757
<u>Less accumulated depreciation -</u>				
Building and improvements	(37,516)	(8,330)	-	(45,846)
Furniture and fixtures	(69,308)	(7,815)	6,293	(70,830)
Office equipment	(41,246)	(3,478)	17,481	(27,243)
Communications equipment	(530,031)	(83,446)	-	(613,477)
Vehicle	(45,150)	-	-	(45,150)
Intangibles	(7,774)	(2,915)	-	(10,689)
Other fixed assets	(74,867)	<u>(8,690)</u>	<u>2,215</u>	<u>(81,342)</u>
Subtotal	(805,892)	<u>(114,674)</u>	<u>25,989</u>	<u>(894,577)</u>
Capital assets, being depreciated, net	<u>\$ 472,453</u>	<u>\$ (88,592)</u>	<u>\$ (3,681)</u>	<u>\$ 380,180</u>

NOTES TO FINANCIAL STATEMENTS (continued)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)
June 30, 2016

NOTE F - PENSION PLAN

General Information about the Plan

Plan description

Employees of Bedford County, Bedford County School Department, and the Emergency 911 communications District of Bedford County are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. Because the District shares costs with Bedford County and the Bedford County School Department, the Districts plan is considered to be a cost-sharing pension plan.

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 publicly 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.

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, the actuarially determined contribution (ADC) for the District were \$19,101 based on a rate of 5.25 percent of covered payroll. By law, employer contributions are required to be paid. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

NOTES TO FINANCIAL STATEMENTS (continued)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)
June 30, 2016

NOTE F - PENSION PLAN (continued)

Net Pension Liability (Asset)

At June 30, 2016, the District reported an asset of \$118,916 for its proportionate share of the net pension asset. The District's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability (asset) was based on the District's number of active employees in the plan relative to the active employees of all plan participants. At the measurement date of June 30, 2015, the District's proportion was 1.56%. The proportion measured as of June 30, 2014, was 1.37%.

Actuarial assumptions

The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 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, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

NOTES TO FINANCIAL STATEMENTS (continued)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)
June 30, 2016

NOTE F - PENSION PLAN (continued)

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

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

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from 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.

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%)
Emergency 911 Communications District of Bedford County's net pension liability (asset)	\$ (26,059)	\$ (118,939)	\$ (183,898)

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

Negative Pension Expense

For the year ended June 30, 2016, the District recognized negative pension expense of \$12,074.

NOTES TO FINANCIAL STATEMENTS (continued)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)
June 30, 2016

NOTE F - PENSION PLAN (continued)

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2016, 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	\$ -	\$ 19,256
Net difference between projected and actual earnings on pension plan investments	28,889	38,439
Changes in proportion of Net Pension Liability (Asset)	-	5,950
Difference between the employer's actual contributions and its proportionate share of total employer contributions.	4,612	-
Contributions subsequent to the measurement date of June 30, 2015	<u>19,328</u>	<u>-</u>
Total	<u>\$ 52,829</u>	<u>\$ 63,645</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2015," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period. All other deferred amounts are amortized over the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan, both active and inactive. For the measurement date of June 30, 2015, the amortization period is four years.

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:	
2017	\$ (12,456)
2018	(12,456)
2019	(12,456)
2020	7,223
2021	-
Thereafter	-

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET BASED ON
PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

	6/30/2015*	6/30/2016*
Employer's proportion of the collective net pension liability/ asset	1.37%	1.56%
Employer's proportionate share of the net pension liability/ asset	\$ 118,939	\$ 118,916
Plan fiduciary net position as a percentage of total pension liability	119.75%	116.54%
Covered payroll	\$ 313,913	\$ 363,831
Net pension liability/ asset as a percentage of covered-employee payroll	37.89%	32.68%

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

* The amounts presented were determined as of June 30 of the prior fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE
PENSION PLAN OF TCRS
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

	6/30/2014	6/30/2015	6/30/2016
Acutuarially determined contribution	\$ 13,383	\$ 19,101	\$ 19,328
Contributions in relation to the actuarially determined contribution	13,383	19,101	19,328
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 313,913	\$ 363,831	\$ 367,355
Contributions as a percentage of covered payroll	4.26%	5.25%	5.26%

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

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for 2016 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	4 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
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

SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE (CASH BASIS BUDGET)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

Year ended June 30, 2016

	Actual (Cash Basis)	Budget (Cash Basis)	Variance Under (Over)
<u>REVENUES</u>			
TECB - Distribution of 911 surcharge	\$ 611,706	\$ 606,000	\$ (5,706)
TECB - Distribution of excess revenue	11,786	-	(11,786)
Interest income	2,615	400	(2,215)
Contributions from primary government	406,540	453,007	46,467
Other operating revenues	1,563	1,000	(563)
Insurance reimbursements	816	-	(816)
Gain on disposal	150	500	350
TOTAL CASH BASIS REVENUES	<u>1,035,176</u>	<u>1,060,907</u>	<u>25,731</u>
<u>CASH EXPENSES</u>			
Salaries and Wages:			
Director	53,745	53,746	1
Assistant director	34,675	34,676	1
Dispatchers' salaries	247,174	257,311	10,137
Overtime pay	59,340	70,628	11,288
Part-time pay	1,403	5,000	3,597
Longevity and holiday pay	33,552	33,552	-
	<u>429,889</u>	<u>454,913</u>	<u>25,024</u>
Employee Benefits:			
Social security	25,333	28,115	2,782
Medicare	5,925	6,575	650
Life insurance	645	696	51
Medical insurance	43,257	51,752	8,495
Unemployment compensation	1,635	2,268	633
Retirement contributions	19,156	23,807	4,651
	<u>95,951</u>	<u>113,213</u>	<u>17,262</u>

BUDGETARY COMPARISON SCHEDULE (CASH BASIS BUDGET) (continued)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

Year ended June 30, 2016

	Actual (Cash Basis)	Budget (Cash Basis)	Variance Under (Over)
Contracted Services:			
Addressing/Mapping expenses	17,364	24,571	7,207
Audit services	7,500	8,500	1,000
Contracts with government agencies	-	5,000	5,000
Fees paid to service providers	117,852	118,697	845
Legal services	10,200	16,200	6,000
Maintenance agreements	36,013	45,821	9,808
NCIC/TBI/TIES expenses	5,232	8,500	3,268
	<u>194,161</u>	<u>227,289</u>	<u>33,128</u>
Supplies and Materials:			
Office supplies	1,466	1,500	34
Custodial supplies	1,691	2,000	309
Postage	643	800	157
Small equipment purchases	6,109	3,500	(2,609)
Uniforms and shirts	1,517	6,000	4,483
Utilities-electric	13,679	16,000	2,321
Utilities-gas	818	3,000	2,182
Utilities-general telephone	14,223	15,000	777
Utilities-cell phone and pagers	2,869	3,500	631
Utilities-general telephone (call center)	20,158	21,588	1,430
Utilities-cable and internet	6,980	6,980	-
Other supplies and materials	-	1,500	1,500
Pest control	1,015	1,500	485
Lease/rental-communication equipment	-	80,177	80,177
Lease/rental-furniture and fixtures	-	4,000	4,000
Maintenance and repairs-communications equipment	36,724	45,344	8,620
Maintenance and repairs-buildings and facilities	16,037	8,340	(7,697)
Maintenance and repairs-office equipment	-	500	500
Maintenance and repairs-vehicles	97	2,000	1,903
Fuel-vehicles	487	2,500	2,013
	<u>124,513</u>	<u>225,729</u>	<u>101,216</u>

BUDGETARY COMPARISON SCHEDULE (CASH BASIS BUDGET) (continued)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

Year ended June 30, 2016

	Actual (Cash Basis)	Budget (Cash Basis)	Variance Under (Over)
Other Charges:			
Board meeting expenses	829	1,500	671
Dues and memberships	2,749	3,811	1,062
Employee testing and exams	-	837	837
Insurance-workers compensation	3,047	3,047	-
Insurance-buildings and contents	8,030	8,030	-
Insurance-vehicles	1,695	1,695	-
Legal notices	776	1,128	352
Premiums on surety bonds	350	600	250
Service awards	-	1,000	1,000
Training expenses	9,982	10,000	18
Travel expenses	6,212	6,500	288
Capital purchases	26,082	-	(26,082)
	<u>59,752</u>	<u>38,148</u>	<u>(21,604)</u>
TOTAL CASH BASIS EXPENSES	904,266	1,059,292	155,026
CASH BASIS NET INCOME (LOSS)	<u>130,910</u>	<u>\$ 1,615</u>	<u>\$ (129,295)</u>

Reconciliation of Cash Basis to Accrual Basis -

Depreciation	(114,674)
Capital purchases	26,082
Loss on disposal of property	(3,681)
Decrease in due from primary government	(726)
Increase in pension other deferral	31,426
Increase in prepaid expenses	500
Decrease in net pension asset	(23)
Decrease in accounts payable	14,600
Increase in accrued payroll	(3,279)
Decrease in accrued payroll deductions	520
Decrease in compensated absences payable	3,884
NET RECONCILIATION CASH TO ACCRUAL	<u>(45,371)</u>
CHANGE IN NET POSITION (ACCRUAL)	85,539
NET POSITION, JULY 1 2015	<u>1,928,179</u>
NET POSITION, JUNE 30 2016	<u>\$ 2,013,718</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
Emergency Communications District of Bedford County
Shelbyville, 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 Emergency Communications District of Bedford County, a component unit of Bedford County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Emergency Communications District of Bedford County's basic financial statements, and have issued our report thereon dated September 27, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emergency Communications District of Bedford County'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2016-001.

Emergency Communications District of Bedford County's Response to Findings

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

Purpose of this Report

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

Winnett Associates, PLLC

Shelbyville, Tennessee
September 27, 2016

SCHEDULE OF FINDINGS
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

June 30, 2016

Finding 2016-001:

Condition, Criteria, Cause and Effect: Tennessee Code Annotated section 7-86-120 requires the District to adopt and operate under an annual budget. Budget ordinances are to be adopted for the original budget and amendments made as needed. The legal level of control is defined to be at the line-item level. Certain line items had expenditures in excess of amounts budgeted.

Recommendation: The budget is provided on the cash basis. However, it would appear amendments are at times based on the accrual basis. Amendments should be made based on the basis for which the budget is implemented.

Management's Response: Steps have been taken to correct this finding.

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**

For the Fiscal Year Ended June 30, 2016

Financial Statement Findings

Finding Number	Finding Title	Status
2015-001	Expenditures in excess of budget (Original finding # 2013-001)	Repeated

Federal Award Findings and Questioned Costs

Not applicable