

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Financial Statement  
For the Fiscal Year Ended June 30, 2016

Audited by:



Introduction Section

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
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For the Fiscal Year Ended June 30, 2016

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*Unicoi County 9-1-1  
Post Office Box 548  
Erwin, Tennessee 37650  
(423) 743-1850*

August 08, 2016

To the State of Tennessee - Comptroller of the Treasury  
The Residents of Unicoi County

State law requires all entities operating in the public sector publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with Auditing Standards generally accepted in the United States of America. Pursuant to that requirement, we hereby issue the annual financial report of the Unicoi County Emergency Communications District (the District).

The District, a component unit of Unicoi County, began operations in 1999 and operates as directed by Tennessee Code Annotated Section 7-86.

As a proprietary (enterprise) fund, the District is required to use the economic resources measurement focus and accrual basis of accounting. As an enterprise fund, legal requirements and management policy require that the full cost of providing services (including capital costs), be recovered through revenues earned. In addition to the notes, the basic financial statements include the statement of net position, statement of revenues, expenses, and changes in fund net position; and statement of cash flows.

If you have questions about this report or need additional information, contact the District's board members at Unicoi County Emergency Communications District, P.O. Box 548, Erwin, Tennessee 37650.

Respectfully Submitted,

The Board of Directors

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Roster of Board Members and Management  
June 30, 2016

<u>Board of Directors</u>	<u>Position Held</u>
William Hensley, Chairman	Member at Large
Edward Herndon, Vice Chairman	Director of Emergency Preparedness of Unicoi County
Robert Adams	Member of Firefighters Association
Doris Hensley, Secretary (Non-Voting Member)	Town of Erwin Mayor
Glenn Rosenoff (Voting Member), Secretary/Treasurer	For Town of Erwin Mayor
Greg Lynch	Unicoi County Mayor
Johnny Lynch	Town of Unicoi Mayor
Mike Hensley	Sheriff of Unicoi County
Regan Tilson	Police Chief of Town of Erwin
Marie Rice	Unicoi County Commissioner

Management

Patsy Ledford – Retired June 03, 2016	Director
Robert Adams	Interim Director

Management Discussion and Analysis Section

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Management's Discussion and Analysis  
June 30, 2016

As management of the Unicoi County Emergency Communications District (the District), a component unit of Unicoi County, Tennessee, we offer readers of the District financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,107,611 (*net position*). Of this amount, \$570,196 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors. The balance of the net position was the net investment in capital assets.
- The total net position decreased by \$7,504, with \$63,043 loss from operations partly offset by \$55,539 from non-operating activity.
- The District's total debt decreased by \$3,945 during the current fiscal year. The net decrease was attributable to the timing of year end accrued expenses.
- At year end, the District did not have any deferred inflows or deferred outflows of resources.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The financial statements can be found on pages 11-21.

The financial operations of the districts must be accounted for in an enterprise fund. Enterprise funds are reported using a flow of economic resources measurement focus and the accrual basis of accounting. These are the same measurement focus and basis of accounting used by private business enterprises. Revenues are recognized in enterprise funds when they are earned and expenses are recognized as soon as a liability is incurred.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and *net position*. The statement of net position is presented in a format that displays *assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position*.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Management's Discussion and Analysis (Continued)  
June 30, 2016

The *statement of revenue, expenses and change in net position* presents information showing how the government's net position changed during the most recent fiscal year. Revenue, an inflow of resources, is an acquisition of net assets by the District that is applicable to the current reporting period. Expenses, an outflow of resources, is a consumption of net assets by the District that is applicable to the reporting period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *statement of cash flows* is presented on the direct method.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 16-21 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information consists of management's discussion and analysis. The Tennessee Code Annotated requires emergency communications districts to adopt and operate under an annual budget. The schedule of revenue and expenses - budget to actual is in the supplemental information section.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the financial direction of the organization. In the case of the District, net position was \$1,107,611 at June 30, 2016, a decrease of \$7,504 over the net position of the prior year.

A portion of the District's net position (49 percent) reflects its investment in capital assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

At the end of the current fiscal year, the District is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Management's Discussion and Analysis (Continued)  
June 30, 2016

Unicoi County Emergency Communications District  
Net Position

	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 580,603	\$ 544,953
Capital Assets	<u>535,415</u>	<u>582,514</u>
Total Assets	\$ <u>1,116,018</u>	\$ <u>1,127,467</u>
Deferred Outflows of Resources	<u>\$ 0</u>	<u>\$ 0</u>
Current Liabilities	<u>\$ 8,407</u>	<u>\$ 12,352</u>
Total Liabilities	<u>\$ 8,407</u>	<u>\$ 12,352</u>
Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 0</u>
Net Position:		
Net Invested in Capital Assets	\$ 537,415	\$ 582,514
Restricted - Grantor Imposed	0	0
Unrestricted	<u>570,196</u>	<u>532,604</u>
Total Net Position	<u>\$ 1,107,611</u>	<u>\$ 1,115,115</u>

District Activities. Activities decreased the District's net position by \$7,504. Key elements of this increase are as follows:

Unicoi County Emergency Communications District  
Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues:		
Operating Revenue	\$ 371,743	\$ 374,371
Nonoperating Revenue	<u>55,539</u>	<u>228,294</u>
Total Revenues	<u>\$ 427,282</u>	<u>\$ 602,665</u>
Expenses:		
Operating Expenses	\$ 434,786	\$ 341,910
Nonoperating Expenses	<u>0</u>	<u>64,891</u>
Total Expenses	<u>\$ 434,786</u>	<u>\$ 406,801</u>
Change in Net Position	\$ (7,504)	\$ 195,864
Net Position - Beginning	<u>1,115,115</u>	<u>919,251</u>
Net Position - Ending	<u>\$ 1,107,611</u>	<u>\$ 1,115,115</u>

Cash Flows

Net cash from operating activities during the year ended June 30, 2016, was \$5,814, a decrease of \$59,547 from the prior year amount. This decrease was principally due to the use of cash to fund employee cost.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Management's Discussion and Analysis (Continued)  
June 30, 2016

The cash flow from noncapital financing activity decreased by \$172,996. Noncapital financing activity included non-recurring payments from the Tennessee Emergency Communications Board (TECB) to cover capital expenses of \$19,800 in 2016 and \$192,796 in 2015.

Net cash used by capital and financial activities included the purchase of capital assets of \$25,584.

Net cash from investing activities for the year ended June 30, 2016 consisted of interest income from certificates of deposits.

Budgetary Highlights

Differences between the budget and statement of revenues, expenses and change in net position can be briefly summarized as follows:

- The budget, which was approved at the beginning of the year, was not amended.
- Revenues budgeted reflect the District collecting the TECB fixed base and excess revenue payments.
- The budgeted change in net position was \$1,687, but the actual change in net position was a negative \$7,504.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for the year ended June 30, 2016 decreased by \$45,099 (new assets purchased of \$25,584 less current year depreciation of \$72,683).

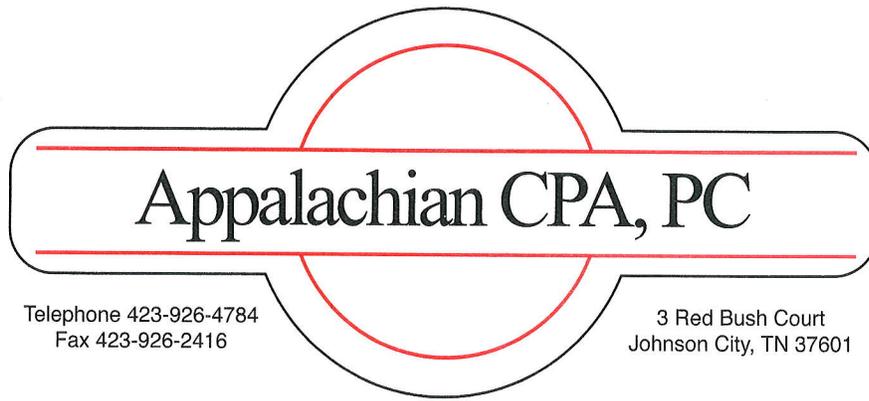
The District had no long-term debt as of June 30, 2016.

Requests for Information

This financial report is designed to provide a general overview of the Unicoi County Emergency Communications District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Commissioners, Unicoi County Emergency Communications District, P.O. Box 548, Erwin, Tennessee 37650.

Respectfully Submitted,  
The Board of Commissioners

Financial Section



August 08, 2016

Independent Auditor's Report

Board of Commissioners  
Unicoi County Emergency Communications District  
Erwin, Tennessee

**Report on the Financial Statements**

We have audited the accompanying financial statements of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles 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 opinions 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 and *Audit Manual - Auditing, Accounting and Reporting for Local Governmental Units and Other Organizations* published by the Tennessee Office of the Comptroller of the Treasury. 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 opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Boards, 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 of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee. The introduction section and the supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the financial statements. The Schedule of Revenue & Expenses - Budget to Actual is the responsibility of management and is derived from and

relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented, in all material respects, in relation to the financial statements taken 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 them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 08, 2016, on our consideration of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee's internal control over financial reporting and compliance.

*Appalachian CPA, PC*

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Johnson City, Tennessee  
EIN 62-1337124

Engagement Partner/Officer  
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Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Statement of Net Position  
June 30, 2016

Assets

Current Assets:

Cash and Cash Equivalents	\$ 522,360
Certificate of Deposit	54,882
Prepaid Expenses	3,361
Total Current Assets	<u>\$ 580,603</u>

Capital Assets (Net of Depreciation):

Leasehold Improvements	\$ 51,612
Communications Equipment	448,830
Office Equipment	18,404
Vehicles	16,569
Total Capital Assets (Net of Depreciation)	<u>\$ 535,415</u>

Total Assets \$1,116,018

Deferred Outflows of Resources: \$ 0

Liabilities

Current Liabilities:

Accounts Payable	\$ 2,413
Accrued Expenses	5,994
Total Current Liabilities	<u>\$ 8,407</u>

Total Liabilities \$ 8,407

Deferred Inflows of Resources: \$ 0

Net Position

Investment in Capital Assets	\$ 537,415
Unrestricted	<u>570,196</u>

Total Net Position \$1,107,611

The notes to the financial statements are an integral part of this statement.

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin Tennessee  
Statement of Revenue, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30, 2016

Operating Revenues

Tennessee Emergency Communications Board- 911 Surcharges (Base Amount)	\$ 364,716
Tennessee Emergency Communications Board- Distribution of Excess Revenue	7,027
Total Operating Revenues	<u>\$ 371,743</u>

Operating Expenses

<u>Salaries and Wages - Contract Employees</u>	
Director	\$ 40,730
Dispatchers	166,287
Total Salaries and Wages - Contract Employees	<u>\$ 207,017</u>

Employee Benefits - Contract Employees

Social Security	\$ 17,580
Medical Insurance	35,000
Pension Expense	18,245
Total Employee Benefits - Contract Employees	<u>\$ 70,825</u>

Contracted Services

Accounting Services	\$ 8,400
Audit Services	5,000
Legal Service	600
Maintenance Agreements	13,098
Lease/Rental Office Equipment	2,006
Maintenance and Repairs - Building & Facilities	253
Maintenance and Repairs - Vehicles	369
Maintenance and Repairs - Communications Equipment	1,070
Total Contracted Services	<u>\$ 30,796</u>

Supplies and Materials

Office Supplies	\$ 7,275
Data Processing Supplies	2,518
Equipment Purchased Not Capitalized	1,271
Uniforms & Shirts	669
Utilities - Electric	281
Utilities - General Telephone	29,293
Utilities - Cell Phones and Pagers	1,785
Fuel - Gas and Diesel	10
Total Supplies and Materials	<u>\$ 43,102</u>

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin Tennessee  
Statement of Revenue, Expenses, and Changes in Net Position (Continued)  
For the Fiscal Year Ended June 30, 2016

<u>Other Charges</u>	
Training Expense	\$ 6,185
Dues & Memberships	206
Premiums on Surety Bonds	127
Insurance Equipment	1,494
License and Fees	25
Travel Expense	<u>2,326</u>
Total Other Charges	<u>\$ 10,363</u>
<u>Depreciation</u>	
Depreciation Expense	<u>\$ 72,683</u>
Total Depreciation	<u>\$ 72,683</u>
Total Operating Expenses	<u>\$ 434,786</u>
<u>Operating Income (Loss)</u>	<u>\$ (63,043)</u>
<u>Nonoperating Revenues and (Expenses)</u>	
Interest Income	\$ 483
Contributions from Other Governments	35,000
Tennessee Emergency Communications Board-	
Grants and Reimbursements	19,800
Miscellaneous Income	56
Gain on Disposal of Property	<u>200</u>
Total Nonoperating Revenues and (Expenses)	<u>\$ 55,539</u>
<u>Increase (Decrease) in Net Position</u>	<u>\$ (7,504)</u>
<u>Total Net Position - Beginning of Year</u>	<u>1,115,115</u>
<u>Total Net Position - End of Year</u>	<u>\$ 1,107,611</u>

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

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Statement of Cash Flows  
For the Year Ended June 30, 2016

<u>Cash Flows from Operating Activities</u>	
Cash Received from Surcharges and Other Revenues	\$ 371,799
Cash Payments to Suppliers for Goods and Services	(84,155)
Cash Payments for Payroll, Taxes and Related Benefits	<u>(281,803)</u>
Net Cash Provided from Operating Activities	<u>\$ 5,841</u>
 <u>Cash Flows from Noncapital Financing Activities</u>	
Grants/Reimbursements TECB	\$ 19,800
Contributions from Other Governments	<u>35,000</u>
Net Cash Provided from Noncapital Financing Activities	<u>\$ 54,800</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Purchase of Capital Assets	\$ (25,584)
Sale of Surplus Assets	<u>200</u>
Net Cash Used for Capital and Related Financing Activities	<u>\$ (25,384)</u>
 <u>Cash Flows from Investing Activities</u>	
Purchase of Investment Securities	\$ (51)
Interest Income Received	<u>483</u>
Net Cash Provided from Investing Activities	<u>\$ 432</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>\$ 35,689</u>
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>486,671</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>\$ 522,360</u>

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Statement of Cash Flows (Continued)  
For the Year Ended June 30, 2016

Reconciliation of Net Operating Income (Loss) to Net Cash

Provided by (Used for) Operating Activities

Operating Income (Loss)	\$ (63,043)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation Expense	72,683
Changes in Assets and Liabilities	
(Increase) Decrease in Prepaid Expenses	90
Increase (Decrease) in Accounts Payable	16
Increase (Decrease) in Accrued Payroll	(3,961)
Miscellaneous Income	<u>56</u>
Net Cash Provided by Operating Activities	<u>\$ 5,841</u>

Reconciliation of Cash with Statement of Cash Flows

Cash Per Statement of Net Position	\$ 522,360
Investments with Original Maturity of 3 Months or Less	<u>0</u>
Cash and Cash Equivalents June 30, 2016	<u>\$ 522,360</u>

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

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements  
June 30, 2016

Note 1 General Information and Significant Accounting Policies

The Organization

Unicoi County Emergency Communications District is an emergency communications district located in Unicoi County, Tennessee that operates as directed by *Tennessee Code Annotated Section 7-86*. The District began operations in 1999 as an enterprise fund.

Unicoi County Emergency Communications District is a discretely presented Component Unit of Unicoi County, Tennessee. The District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Unicoi County, and the Unicoi County Commission appoints its governing body. The District has a nine-member board comprised of the Unicoi County Mayor, Town of Erwin Mayor, Town of Unicoi Mayor, Sheriff of Unicoi County, Police Chief of Town of Erwin, Director of Emergency Preparedness of Unicoi County, a member appointed by the Unicoi County Commission, a member of Firefighters Association, and a member at large who is appointed by the County Mayor and confirmed by the County Commission. The District is funded primarily through a service charge levied on telephone services. Before issuance of most debt instruments, the District must obtain the County Commissioner's approval.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the District have been prepared with the economic resources measurement focus and accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, then unrestricted resources as they are needed.

Policy for Defining Operating and Non-Operating Revenue and Recognition of Revenue and Expenses

Operating revenue consists of distributions from the Tennessee Emergency Communications (TECB). The TECB received all telephone customer subscriber fee revenue from E-911 service charges and will make distributions of 911 surcharges at a fixed base amount every two months. From time to time other funds will be received from TECB as distributions of excess revenues.

Non-Operating revenue consists of investment income, contributions from primary government and other governments, and grants and reimbursements from the Tennessee Emergency Communications Board.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements (Continued)  
June 30, 2016

Note 1 General Information and Significant Accounting Policies (Continued)

Operating expenses are recognized on the accrual basis. The required and permissible uses of 911 revenues are limited to those uses outlined in the 911 Revenue Standards adopted by the Tennessee Emergency Communications Board.

Budget and Budgetary Accounting

In accordance with Tennessee Code Annotated, an annual budget is adopted by the District. The budget is approved by the Board and is also submitted to the primary government, Unicoi County, Tennessee. As a legal level of control, expenses are presented at the line-item level in accordance with the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications District*.

Cash and Cash Equivalent

The cash and cash equivalents on the statement of cash flows includes petty cash, cash on hand, demand deposits, and certificates of deposit with an original maturity of three months or less.

Deposits and Investments

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The District is authorized by the governing board to invest with local financial institutions that are members of the State Collateral Pool. The Cash - Certificate of Deposit account has an original maturity of greater than three months. There were no other investments for the year.

Accounts Receivable

Effective December 31, 2014, Tennessee Emergency Communications (TECB) began receiving the various surcharges levied on telephone services collected by the service provider and remitting a fixed amount bimonthly to the District. Since that date, the District's only receivables have been nominal refund claims and document duplication fees. The District considers the accounts to be fully collectible; therefore, no allowance for uncollectibles have been recorded.

Prepaid Expenses

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

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements (Continued)  
June 30, 2016

Note 1 General Information and Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property and equipment, are defined as assets with an initial estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized.

The capital assets are depreciated on the straight-line basis over their various estimated lives. The cost of intangible assets are amortized over their estimated useful lives.

Capital assets not being depreciated consist of assets that have been purchased but where not in service at year end.

Advertising

Advertising costs are expensed as incurred.

Net Position

The equity reported in the statement of net position is displayed in three components: "invested in capital assets" "restricted," and "unrestricted." The following explains each:

Net invested in capital assets consists of capital assets, reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets.

The restricted component of net position reports the net positions with limits on their use that are externally imposed (by creditors, grantors, contributors, or the laws or regulations of other governments) or that are imposed by the government's own constitutional provisions or enabling legislation.

Unrestricted net position consists of all net positions that do not meet the definition of either of the other two components.

Use of Estimates

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

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements (Continued)  
June 30, 2016

Note 2 Bank Deposits

Bank deposits as of the balance sheet date are entirely insured or collateralized with securities held by the District's agent in the State of Tennessee Collateral Pool.

Note 3 Receivables

Effective January 1, 2015, all surcharges levied on telephone services were remitted to the Tennessee Emergency Communications (TECB) to fund their distributions to the local District. Since the base amount to be paid is not related to, nor contingent upon, the amount collected by TECB, there will be no revenue recorded as an account receivable at the end of the year.

Note 4 Related Party Transaction

The contract bookkeeper of the District is a non-voting member of the Board of Directors and the wife of the Chairman of the Board of Directors. The bookkeeping services includes maintaining the accounting records, processing the various payable and bank deposits, and reconciliation of the accounting records. The bookkeeper fees for the year were \$8,400 with no payable at year end.

The District is a component unit of Unicoi County, Tennessee. The District staff are employees of Unicoi County. The County employees provide the services necessary to operate the District. The District reimburses the County for their director's salary, one dispatcher salary and one half of the other employee's gross pay plus a budgeted, and agreed upon, amount to cover part of the employee benefit cost (Social Security tax expense, employee medical insurance expense, and employee pension cost.) The salary and wage reimbursement cost for the year was \$207,017 of which \$5,994 was accrued at year end. The County provided \$140,511.72 in gross wages. The employee benefit cost remitted to the County was \$70,825.

Unicoi County also provides space to house the operations of the District rent free.

Note 5 Risk Management

The Unicoi County Emergency Communications District's exposure to various risks of loss to theft of, damage to, and destruction of assets; error and omissions; natural disasters; and the building are covered by the comprehensive insurance police of Unicoi County.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements (Continued)  
June 30, 2016

Note 6 Inter-Local Agreement

The District has inter-local agreements with the Town of Erwin and the Town of Unicoi under which the Towns agree to assist in the funding of the District operations. In the current year, the Town of Erwin contributed \$35,000 and the Town of Unicoi contributed \$0.

Note 7 Capital Assets

Capital asset additions, retirements, and balances for the year ended June 30, 2016 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Capital Assets</u>				
Leasehold Improvements	\$ 134,558	\$ 0	\$ 0	\$ 134,558
Communications Equipment	642,821	0	1,158	641,663
Office Equipment	26,485	5,784	0	32,269
Vehicles	<u>0</u>	<u>19,800</u>	<u>0</u>	<u>19,800</u>
Total Capital Assets	<u>\$ 803,864</u>	<u>\$ 25,584</u>	<u>\$ 1,158</u>	<u>\$ 828,290</u>
<u>Less Accumulated Depreciation</u>				
Leasehold Improvements	\$ 74,578	\$ 8,368	\$ 0	\$ 82,946
Communications Equipment	135,009	58,982	1,158	192,833
Office Equipment	11,763	2,102	0	13,865
Vehicles	<u>0</u>	<u>3,321</u>	<u>0</u>	<u>3,321</u>
Total Accumulated Depreciation	<u>\$ 221,350</u>	<u>\$ 60,319</u>	<u>\$ 1,158</u>	<u>\$ 292,875</u>
Capital Assets, Net	<u>\$ 582,514</u>	<u>\$ 440,672</u>	<u>\$ 0</u>	<u>\$ 535,415</u>

Note 8 Subsequent Events

Subsequent events for Unicoi County Emergency Communications District were evaluated by management up to August 08, 2016, which is the financial statement issuance date.

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Notes to the Financial Statements (Continued)  
June 30, 2016

Note 9 Other Required Disclosures

Depreciation expense for the year was \$72,683.

There was no amortization expense for the year.

There was no advertising costs for the year.

There was no interest costs incurred and charged to expense for the year.

Supplementary Information

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Schedule of Revenue and Expenses - Budget to Actual  
June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Operating Revenues</u>				
TECB - Distribution of 911 Surcharge Base	\$364,716	\$364,716	\$364,716	\$0
TECB - Distribution of Excess Revenue	0	0	7,027	7,027
Total Operating Revenues	<u>\$364,716</u>	<u>\$364,716</u>	<u>\$371,743</u>	<u>\$7,027</u>
<u>Operating Expenses</u>				
<u>Salaries and Wages</u>				
Director	\$38,825	\$38,825	\$40,730	(\$1,905)
Dispatchers/Telecommunicators/Calltakers	190,950	190,950	166,287	24,663
Total Salaries and Wages	<u>\$229,775</u>	<u>\$229,775</u>	<u>\$207,017</u>	<u>\$22,758</u>
<u>Employee Benefits</u>				
Social Security	\$17,580	\$17,580	\$17,580	\$0
Medical Insurance	18,245	18,245	18,245	0
Pension Expense	35,000	35,000	35,000	0
Total Salaries and Wages	<u>\$70,825</u>	<u>\$70,825</u>	<u>\$70,825</u>	<u>\$0</u>
<u>Contracted Services</u>				
Audit Services	\$6,000	\$6,000	\$5,000	\$1,000
Accounting/Bookkeeping Services	8,400	8,400	8,400	0
Data Processing Services	2,500	2,500	2,518	(18)
Legal Services	0	0	600	(600)
Maintenance Agreements	12,635	12,635	12,841	(206)
NCIC/TBI/TIES Expenses	2,750	2,750	0	2,750
Lease/Rental - Office Equipment	3,168	3,168	2,006	1,162
Total Contracted Services	<u>\$35,453</u>	<u>\$35,453</u>	<u>\$31,365</u>	<u>\$4,088</u>
<u>Supplies and Materials</u>				
Office Supplies	\$9,000	\$9,000	\$6,970	\$2,030
Janitorial Supplies	500	500	562	(62)
Postage	155	155	0	155
Equipment Purchased Not Capitalized	1,000	1,000	1,271	(271)
Uniforms and Shirts	1,500	1,500	669	831
Utilities - Electric	0	0	281	(281)
Utilities - General Telephone	45,000	45,000	29,293	15,707
Utilities - Cell Phone	800	800	1,785	(985)
Maintenance and Repairs				
Communications Equipment	1,000	1,000	1,070	(70)
Maintenance and Repairs - Vehicles	300	300	369	(69)
Maintenance and Repairs -				
Buildings and Facilities	1,000	1,000	253	747
Fuel - Gasoline & Diesel	0	0	10	(10)
Total Supplies and Materials	<u>\$60,255</u>	<u>\$60,255</u>	<u>\$42,533</u>	<u>\$17,722</u>

(Continued)

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Schedule of Revenue and Expenses - Budget to Actual (Continued)  
June 30, 2016

	<u>Budgeted Amounts</u>			Favorable (Unfavorable) with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Other Charges</u>				
Dues and Memberships	\$275	\$275	\$206	\$69
Employee Testing and Exams	700	700	0	700
Insurance Equipment	100	100	55	45
Insurance Vehicles	0	0	1,439	(1,439)
Licenses and Fees	1,000	1,000	25	975
Premiums on Surety Bonds	0	0	127	(127)
Training Expense	3,000	3,000	6,185	(3,185)
Travel Expense	3,900	3,900	2,326	1,574
Total Other Charges	<u>\$8,975</u>	<u>\$8,975</u>	<u>\$10,363</u>	<u>(\$1,388)</u>
<u>Depreciation</u>				
Depreciation Expense	\$68,500	\$68,500	\$72,683	(\$4,183)
Total Depreciation	<u>\$68,500</u>	<u>\$68,500</u>	<u>\$72,683</u>	<u>(\$4,183)</u>
<u>Total Operating Expenses</u>	<u>\$473,783</u>	<u>\$473,783</u>	<u>\$434,786</u>	<u>\$38,997</u>
<u>Operating Income (Loss)</u>	<u>(\$109,067)</u>	<u>(\$109,067)</u>	<u>(\$63,043)</u>	<u>\$46,024</u>
<u>Non-Operating Revenues (Expenses)</u>				
Interest Income	\$400	\$400	\$483	\$83
Contributions from Other Governments	35,000	35,000	35,000	0
TECB - Grants & Reimbursements	100,204	100,204	19,800	(80,404)
Miscellaneous Income	150	150	56	(94)
Gain on Disposal of Property	0	0	200	200
Capital Purchases - Depreciable	(25,000)	(25,000)	(25,584)	(584)
Total Non-Operating Revenues (Expenses)	<u>\$110,754</u>	<u>\$110,754</u>	<u>\$29,955</u>	<u>(\$80,799)</u>
<u>Change in Net Assets (Budgetary Basis)</u>	<u>\$1,687</u>	<u>\$1,687</u>	<u>(\$33,088)</u>	<u>(\$34,775)</u>
<u>Reconciliation to GAAP Basis</u>				
Capital Outlays Reported as Expenditures in Budgetary Basis			25,584	
<u>Change in Net Position on GAAP Basis (See Statement of Revenue, Expenses, and Changes in Net Position)</u>			<u>(\$7,504)</u>	

Internal Control and Compliance Section



August 08, 2016

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 *Governmental Auditing Standards*

Commissioners of Unicoi County Emergency Communications District  
Erwin, 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 and the *Accounting and Financial Reporting Manual For Tennessee Emergency Communications Districts* published by the Tennessee Office of the Comptroller of the Treasury, the financial statements of the business-type activities of Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Unicoi County Emergency Communications District's basic financial statements and have issued our report thereon dated August 08, 2016.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

(Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Unicoi County Emergency Communications District's financial statements are free of 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 matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2016-1.

### **Unicoi County Emergency Communications District's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 the 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.

*Appalachian CPA, PC*

Appalachian CPA, PC  
Johnson City, Tennessee

Unicoi County Emergency Communications District  
A Component Unit of Unicoi County, Tennessee  
Erwin, Tennessee  
Schedule of Audit Findings and Responses  
June 30, 2016

Current Year Significant Deficiency:

2016-1: Compliance – Budgetary Basis Line Items

Condition: The District had instances of line items where the expenses on the budgetary basis exceeded the budget as identified in the accompanying Supplemental Schedule “Schedule of Revenue and Expenses – Budget to Actual.”

Criteria: Compliance with State Regulations requires the District’s expenses on a budgetary basis to be within their established budget, following the legal level of control, which in accordance with the *Accounting and Financial Reporting Manual For Tennessee Emergency Communications Districts*, is the line-item level.

Effect: Incurred amounts exceeded the budget, contrary to the stated criteria above.

Recommendation: The District should enhance their monitoring and budgetary procedures to ensure all line items are within the established budget. This may involve a cash to accrual adjustments closer to the end of the year to permit an approved change to the budget before the end of the fiscal year.

Management's Response: The District notes that these were items that could vary in actual expense because of the nature of the expense. The District states that the amounts incurred were reasonable and that the ability to modify the budget by the end of the fiscal year was a timing matter resulting from the late retirement of the District’s Director.

Prior Year Significant Deficiencies Implemented:

2015-1- Controls implemented.

2015-2 - In compliance.