

**DECATUR COUNTY EMERGENCY
COMMUNICATION DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2016**

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
INDEPENDENT AUDITOR'S REPORT, FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION
JUNE 30, 2016

Table of Contents

	Page
Introductory Section	
Table of Contents	1
Roster of Board of Directors and Management Officials	2
Financial Section	
Independent Auditor's Report	3 - 4
Management's Discussion and Analysis	5 - 7
Statement of Net Position.	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 - 14
Supplemental Information	
Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual (Budget Basis)	15
Schedule of Detailed Expenses	16
Internal Control and Compliance Section	
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 <i>Government Auditing Standards</i>	17 - 18

**DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT OFFICIALS
JUNE 30, 2016**

BOARD OF DIRECTORS

Joe Keeton – President

Scott Cagle – Vice President

Diana Montgomery – Secretary/Treasurer

Melvin Brasher

Randy Gordon

Jonathan Johnson

Brad Moore

Shannon Seaton

Becky Stanfill

MANAGEMENT OFFICIALS

Debbie Keeton – Director



Independent Auditor's Report

Board of Directors
Decatur County Emergency Communication District
Decaturville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Decatur County Emergency Communication District (the District), a component unit of Decatur 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 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 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. 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 financial position of the District, as of June 30, 2016, and the changes in financial position, and cash flows thereof for the year then ended in conformity 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 5 – 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section (pages 1 – 2) and the supplemental information (pages 15 – 16) are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 4, 2016

Handwritten signature in cursive script that reads "Merlin Associates, PLLC".

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

As management of the Decatur County Emergency Communications District's (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the District's financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,000,080 (*net position*). Of this amount, \$818,960 represents unrestricted net position, which may be used to meet the District's ongoing obligations. There were no capital asset additions in the current year.
- Net position increased \$13,721 or 1.39%.
- Operating revenues were \$253,889, an increase from the prior year of \$35,077 or 16.03%.
- Operating expenses were \$268,691, an increase from the prior year of \$897 or .33%.
- The operating income (loss) for the year was (\$14,802) compared to a prior year loss of (\$48,982).

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of four sections: 1) introductory section, 2) financial section, 3) supplemental information section, and (4) compliance and internal control section. The introductory section includes table of contents and the District's roster of Board of Directors. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes. The supplemental information section includes selected financial and operational information. The internal control and compliance section includes the report on internal control and compliance.

Proprietary Funds. A proprietary fund is used to account for the operations of the District, which is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements report information about the District, using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *statement of net position* presents the financial position of the District on a full accrual, historical cost basis. The statement of net position includes all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position.

The *statement of revenues, expenses and changes in net position* presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the District's operations and can be used to determine whether the District has successfully recovered all of its costs.

The *statement of cash flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipt and cash disbursement information, without consideration of the earnings event, when an obligation arises.

The *notes to the financial statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

The *supplementary schedule* comparing the budget to actual expenses and a schedule of detailed expenses are also presented as supplementary information.

Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$1,000,080 at the close of the most recent fiscal year.

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Statement of Net Position

	<u>June 30, 2016</u>	<u>Percent of Total</u>	<u>June 30, 2015</u>	<u>Percent of Total</u>
Current assets	\$ 818,820	81.88%	\$ 743,376	75.37%
Capital assets	181,120	18.11%	242,843	24.62%
Other assets	140	0.01%	140	0.01%
Total assets	<u>1,000,080</u>	<u>100.00%</u>	<u>986,359</u>	<u>100.00%</u>
Current liabilities	-	0.00%	-	0.00%
Total liabilities	<u>-</u>	<u>0.00%</u>	<u>-</u>	<u>0.00%</u>
Net position				
Investment in capital assets	181,120	18.11%	242,843	24.62%
Unrestricted	818,960	81.89%	743,516	75.38%
Total net position	<u>\$ 1,000,080</u>	<u>100.00%</u>	<u>\$ 986,359</u>	<u>100.00%</u>

The changes in the District's net position are described below:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Revenues		
Operating revenues	<u>\$ 253,889</u>	<u>\$ 218,812</u>
Expenses		
Contracted services	163,429	175,185
Supplies and materials	27,040	19,592
Other charges	16,499	6,491
Depreciation	61,723	66,526
Total expenses	<u>268,691</u>	<u>267,794</u>
Operating income (loss)	<u>(14,802)</u>	<u>(48,982)</u>
Nonoperating revenue (expenses)	<u>28,523</u>	<u>48,220</u>
Income (loss) before capital contribution	<u>13,721</u>	<u>(762)</u>
Net position - beginning of year	<u>986,359</u>	<u>987,121</u>
Net position - end of year	<u>\$ 1,000,080</u>	<u>\$ 986,359</u>

The District had an increase in net position of \$13,721 compared to a decrease in the prior year of (\$762).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2016, the District had \$181,120 invested in a broad range of capital assets, including buildings and improvements, furniture and fixtures, office equipment, and communications equipment. There were no capital asset additions or disposals in the current year. Accumulated depreciation increased by \$61,723 due to depreciation. Additional information on capital assets is in Note 5.

Debt

At year-end, the District had no debt.

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

The District has been dependent on telephone service charges collected by various phone companies and remitted to the District as well as operating grants and capital grants from the State Emergency Communications Board. Beginning in January 2015, telephone service charges collected by various phone companies are remitted to the State of Tennessee. All funding is now received from the State Emergency Communications Board.

A budget is prepared before each fiscal year. Next year the budget shows total revenues of \$256,572 (including TECB reimbursements of \$7,482 which will be used to help pay operational expenses) and expenses of \$221,691.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the District at 21 S. South Street, Decaturville, Tennessee.

Debbie Keeton
Director

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS

CURRENT ASSETS

Cash	\$ 186,815
Certificates of deposit	623,805
Prepaid expenses	<u>8,200</u>

TOTAL CURRENT ASSETS 818,820

CAPITAL ASSETS

Furniture and fixtures	32,767
Office equipment	21,115
Communications equipment	<u>631,754</u>
	685,636
LESS: accumulated depreciation	<u>(504,516)</u>

NET CAPITAL ASSETS 181,120

OTHER ASSETS

Utility deposit	<u>140</u>
-----------------	------------

TOTAL ASSETS 1,000,080

LIABILITIES AND NET POSITION

LIABILITIES

-

NET POSITION

Investment in capital assets	181,120
Unrestricted net position	<u>818,960</u>

TOTAL NET POSITION \$ 1,000,080

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES	
TECB Distribution of 911 Surcharges (Base Amount)	249,090
TECB Distribution of Excess Revenue	4,799
TOTAL OPERATING REVENUES	253,889
 OPERATING EXPENSES	
Contracted Services	163,429
Supplies and Materials	27,040
Other Charges	16,499
Depreciation	61,723
TOTAL OPERATING EXPENSES	268,691
NET OPERATING REVENUE (LOSS)	(14,802)
 NONOPERATING REVENUES (EXPENSES)	
Interest Income	172
Investment Income	1,418
State Emergency Communications Board - Grants & Reimbursements	26,933
NONOPERATING REVENUES (EXPENSES) - NET	28,523
CHANGE IN NET POSITION	13,721
NET POSITION - BEGINNING OF YEAR	986,359
NET POSITION - END OF YEAR	\$ 1,000,080

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 253,889
Cash payments to suppliers for goods and services	<u>(206,968)</u>
CASH PROVIDED BY OPERATING ACTIVITIES	<u>46,921</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants and reimbursements	<u>26,933</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	172
Purchase of certificate of deposit	(113,000)
Reinvestment in certificate of deposit	(1,418)
Investment in certificate of deposit	<u>1,418</u>
CASH USED FOR INVESTING ACTIVITIES	<u>(112,828)</u>
DECREASE IN CASH	(38,974)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>225,789</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 186,815</u></u>

RECONCILIATION OF INCOME FROM OPERATIONS TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net operating revenue (expense)	\$ (14,802)
Adjustments to reconcile operating revenue to net cash provided by operating activities:	
Depreciation	61,723
Changes in Assets and Liabilities	
Due from Tennessee Emergency Communications Board	-
CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 46,921</u></u>

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

1. GENERAL INFORMATION

Component unit

The District provides 911 emergency assistance to persons living in Decatur County. The District is a component unit of Decatur County. Accordingly, this financial data is incorporated into the County's financial statements. The District is governed by nine members who serve staggered four-year terms. Board members are appointed by the County Mayor and ratified by the Decatur County Commission. The County Commission pays for dispatcher salaries and benefits and furnishes the District's operating headquarters. The District pays the County Commission \$4/hour per each District employee (as well as an additional \$.84/hour for an administrative assistant's salary) and pays all of the salary of one employee, which is shown as contract with government agencies expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounts of the District are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

A. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded 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.

B. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash and Cash Equivalents

Cash and cash equivalents, as used in the Statements of Cash Flows, includes demand deposit accounts and certificates of deposit with maturities of three months or less when purchased, in accordance with GASB Statement No. 9.

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end include telephone wireless fees due from phone companies, wireless charges due from the State of Tennessee, and grant receivables due from the Tennessee Emergency Communications Board.

Capital Assets

All capital assets of the District are recorded at original cost, except for donated equipment which is recorded at fair market value. Expenses which materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred. Any related interest cost is also added to the cost of the asset as appropriate.

Gains and losses from the sale of capital assets are reflected in operations and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives. Any related interest cost is also added to the cost of the asset as appropriate.

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as non-operating.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category as of June 30, 2016.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category as of June 30, 2016.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e. g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Net Position

In the District's financial statements, equity is classified as net position and displayed in three components:

- a. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints place on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of restricted or net investment in capital assets.

3. REVENUES

Revenues are derived from telephone customers and wireless charges from cellular phone fees in the area served by the District. Beginning January 2015, the telephone companies remitted these fees to the State of Tennessee. The State of Tennessee then remits to the District a base amount.

4. RISK MANAGEMENT

All of the District's capital assets are located in or on facilities owned by Decatur County. The District owns all office and communications equipment. The District is exposed to loss of personal property by fire, accident, or an act of God, as well as tort liabilities and errors and omissions. The District is insured against these risks under the Decatur County Mayor's commercial insurance policy. It is also named as a component unit of Decatur County for basic general liability coverage of up to \$1,000,000 per liability. The District has had no insurance settlements in excess of insurance coverage during the past three years.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>7/1/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2016</u>
Capital assets being depreciated:				
Furniture and fixtures	32,767	-	-	32,767
Office equipment	21,115	-	-	21,115
Communications equipment	631,754	-	-	631,754
Total capital assets being depreciated	<u>685,636</u>	<u>-</u>	<u>-</u>	<u>685,636</u>
Less accumulated depreciation for:				
Furniture and fixtures	(20,206)	(3,277)	-	(23,483)
Office equipment	(14,991)	(1,598)	-	(16,589)
Communications equipment	(407,596)	(56,848)	-	(464,444)
Total accumulated depreciation	<u>(442,793)</u>	<u>(61,723)</u>	<u>-</u>	<u>(504,516)</u>
Total business-type activities capital assets, net	<u>\$ 242,843</u>			<u>\$ 181,120</u>

Depreciation expense of \$61,723 was recorded by the District.

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

6. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over the District resources follows.

6.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

The District's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit and savings accounts. The District has no policy that further limits allowable investments. At June 30, 2016, investments consisted entirely of a certificate of deposit with a local bank. Investments are carried at cost which approximates fair value.

For deposits and investments, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. As of June 20, 2016, District's deposits were not exposed to custodial credit risk due to being insured and collateralized.

6.B. BUDGET APPROPRIATIONS

In accordance with State law, the board of the District must adopt and operate under an annual budget. Criteria for the information required in the annual adopted budget are detailed in Section 7-86-120, *Tennessee Code Annotated*. However, for financial reporting purposes it is only necessary to present budgetary revenues and expenses compared to actual. All purchases must be made within the limits of the approved budget. Expenses must be presented at the legal level of control, which is defined to be at the line-item level.

Depreciation is not required to be budgeted. Since the District opted not to budget for depreciation, the budget is presented on a budget basis and the budgetary comparison schedule on page 15 reconciles to the accrual basis.

The District's expenses were within appropriations at the line-item level.

7. ESTIMATES AND ASSUMPTIONS

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.

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
TECB Distribution of 911 Surcharges (Base Amount)	249,090	249,090	-
TECB Distribution of Excess Revenue	4,799	4,799	-
TOTAL OPERATING REVENUES	<u>253,889</u>	<u>253,889</u>	<u>-</u>
OPERATING EXPENSES			
<u>Contracted Services</u>			
Addressing/Mapping Expenses	1,296	413	883
Audit Services	2,600	2,600	-
Contract with Government Agencies	125,215	123,628	1,587
Fees Paid to Service Providers	14,870	14,069	801
Maintenance Agreements	24,467	21,901	2,566
NCIC Expenses	1,050	-	1,050
Other Contracted Services-Generator	1,750	818	932
<u>Supplies and Materials</u>			
Office Supplies	3,500	1,922	1,578
Janitorial Supplies	1,500	1,432	68
Postage	340	250	90
Equipment Purchases Not Capitalized	18,626	12,406	6,220
Uniforms and Shirts	450	-	450
Utilities-Electric	3,500	3,500	-
Utilities-Gas	1,000	1,000	-
Utilities-Water and Sewer	384	384	-
Utilities-General Telephone	3,100	2,864	236
Utilities-Cell Phones and Pagers	1,020	732	288
Internet Charges	780	780	-
Maintenance and Repairs-Communication Equipment	5,000	-	5,000
Maintenance and Repairs-Buildings and Facilities	3,000	1,038	1,962
Maintenance and Repairs-Office Equipment	3,150	594	2,556
Fuel-Gasoline/Diesel	3,000	138	2,862
<u>Other Charges</u>			
Bank Charges	100	35	65
Board Meeting Expenses	1,230	940	290
Dues and Memberships	200	200	-
Employee Testing and Exams	1,500	1,391	109
Legal Notices	110	-	110
Premiums on Surety Bonds	680	448	232
Public Education	550	299	251
Service Awards	2,960	2,750	210
Training Expenses	6,240	5,240	1,000
Travel Expenses	8,000	5,196	2,804
Advertising	200	-	200
TOTAL BUDGET BASIS EXPENSES	<u>241,368</u>	<u>206,968</u>	<u>34,400</u>
BUDGET BASIS NET OPERATING REVENUE (EXPENSE)	<u>12,521</u>	<u>46,921</u>	<u>34,400</u>
OTHER INCOME (EXPENSE)			
Interest Income	20	172	152
Investment Income	-	1,418	1,418
State Emergency Communications Board - Grants & Reimb.	26,934	26,933	(1)
OTHER INCOME (EXPENSE) NET	<u>26,954</u>	<u>28,523</u>	<u>1,569</u>
CHANGE IN NET POSITION (BUDGET BASIS)	<u>39,475</u>	<u>75,444</u>	<u>35,969</u>
RECONCILIATION BUDGET BASIS TO ACCRUAL BASIS			
Depreciation		<u>61,723</u>	
CHANGE IN NET POSITION (ACCRUAL BASIS)		<u>13,721</u>	
NET POSITION - BEGINNING OF YEAR	<u>986,359</u>	<u>986,359</u>	<u>-</u>
NET POSITION - END OF YEAR		<u>\$ 1,000,080</u>	

DECATUR COUNTY EMERGENCY COMMUNICATION DISTRICT
(a component unit of Decatur County, Tennessee)
SCHEDULE OF DETAILED EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

Operating Expenses

Contracted Services

Addressing/Mapping Expenses	\$ 413
Audit Services	2,600
Contracts With Government Agencies	123,628
Fees Paid to Service Providers	14,069
Maintenance Agreements	21,901
Other Contracted Services-Generator	818
<u>Total Contracted Services</u>	<u>163,429</u>

Supplies and Materials

Office Supplies	1,922
Janitorial Supplies	1,432
Postage	250
Equipment Purchases Not Capitalized	12,406
Utilities-Electric	3,500
Utilities-Gas	1,000
Utilities-Water and Sewer	384
Utilities-General Telephone	2,864
Utilities-Cell Phones and Pagers	732
Internet Charges	780
Maintenance and Repairs-Buildings and Facilities	1,038
Maintenance and Repairs-Office Equipment	594
Fuel-Gasoline/Diesel	138
<u>Total Supplies and Materials</u>	<u>27,040</u>

Other Charges

Bank Charges	35
Board Meeting Expenses	940
Dues and Memberships	200
Employee Testing and Exams	1,391
Premiums on Surety Bonds	448
Public Education	299
Service Awards	2,750
Training Expenses	5,240
Travel Expenses	5,196
<u>Total Other Charges</u>	<u>16,499</u>

Depreciation

Depreciation Expense	61,723
<u>Total Depreciation</u>	<u>61,723</u>

<u>Total Operating Expenses</u>	<u>\$ 268,691</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**

Board of Directors
Decatur County Emergency Communication District
Decaturville, 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 Decatur County Emergency Communication District (the District), a component unit of Decatur County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which comprise the District's basic financial statements and have issued our report thereon dated November 4, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

DISPOSITION OF PRIOR AUDIT FINDINGS:

None.

Y. H. & Associates, PLLC

November 4, 2016