

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

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

Shelbyville, Tennessee
June 30, 2013

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, 2013

BOARD OF DIRECTORS:

Mark Thomas - Chairman

Curt Cobb - Vice Chairman

Chris White – Secretary - Treasurer

Tony Barrett

Roger Hawks

Scott Johnson

Chad Graham

Amanda Floyd

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, 2013

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, 2013. 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 financial 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, 2013	June 30, 2012	<i>Differences</i>
Current and other assets	\$ 672,015	\$ 405,599	\$ 266,416
Capital assets	<u>730,447</u>	<u>746,929</u>	<u>(16,482)</u>
Total assets	<u>\$1,402,462</u>	<u>\$1,152,528</u>	<u>\$ 249,934</u>
Long-term liabilities outstanding	\$ -	\$ -	\$ -
Current liabilities	<u>71,988</u>	<u>57,653</u>	<u>14,335</u>
Total liabilities	<u>\$ 71,988</u>	<u>\$ 57,653</u>	<u>\$ 14,335</u>
<u>Net position:</u>			
Net investment in capital assets	\$ 730,447	\$ 716,225	\$ 14,222
Unrestricted	<u>600,027</u>	<u>378,650</u>	<u>221,377</u>
Total net position	<u>\$1,330,474</u>	<u>\$1,094,875</u>	<u>\$ 235,599</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

	June 30, 2013	June 30, 2012	<i>Differences</i>
<u>Revenues:</u>			
Operating revenues	\$ 588,535	\$ 574,247	\$ 393,881
Non-operating revenues	<u>563,984</u>	<u>40,860</u>	<u>143,531</u>
Total revenues	<u>\$1,152,519</u>	<u>\$ 615,107</u>	<u>\$ 537,412</u>
<u>Expenses:</u>			
Depreciation expense	\$ 136,008	\$ 122,266	\$ 13,742
Other operating expense	779,147	412,178	366,969
Non-operating expense	<u>1,765</u>	<u>6,236</u>	<u>(4,471)</u>
Total expenses	<u>\$ 916,920</u>	<u>\$ 540,680</u>	<u>\$ 376,240</u>
Change in net position	\$ 235,599	\$ 74,427	\$ 161,172
Beginning net position	<u>1,094,875</u>	<u>1,020,448</u>	<u>74,427</u>
Ending net position	<u>\$1,330,474</u>	<u>\$1,094,875</u>	<u>\$ 235,599</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 \$235,599 during the year ended June 30, 2013. There was an increase in revenue of \$537,412 and total expenses increased by \$376,240.

THE DISTRICT'S NET POSITION

The *District* completed the year with net position of \$1,330,474, which is approximately \$235,599 more than the prior year's ending net position of \$1,094,875.

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 \$38,072 less than the budgeted income. However, state shared wireless income and income from private carriers due to cell phone use decreased approximately \$2,893. Shared wireless charges are fees that are difficult to estimate.

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. There could be a correction of the steep downward trend of collections if the suit is thus proven.

CAPITAL ASSETS

The *District's* investment in capital assets amounts to \$1,309,341 with accumulated depreciation of \$578,894. Capital assets include the capital leases, communication equipment, building improvements, and communication software upgrades.

LONG-TERM LIABILITIES

The *District* had \$0 in capital lease obligations outstanding as of June 30, 2013, compared with \$30,704 as of June 30, 2012. These leases were entered into for the purchase of communication equipment.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing the *District* is the decrease in revenue generated from landline telephones. Many residents now use cellular telephones for the residential lines. While the increase in cellular telephone use is general revenue, only a portion of that revenue is being returned to each 911 District under the current system being used by the state for distributing shared wireless fees. This continues to be a challenge in estimating revenue for budget preparation.

The *District* is in conversation with the Bedford County IT manager, Chris White, to form a centralized mapping/GIS department. This synergy will benefit not only 911, but any department in Bedford County with mapping needs and will consolidate all GIS information in Bedford County.

Moving forward, this will be tremendously cost effective for many departments. There is virtually no limit to the kind of information that can be placed in a GIS layer, as long as it has a geographic reference point. This mass amount of information has many uses in emergency situations such as locations of fire hydrants, routing for emergency response, road closures, and cutoff locations of gas, water and power needs.

The 911 Center currently utilizes ESRI ArcGIS 9.2 which is the same software used by our State Government and the majority of counties and municipalities across the state.

Our *District* is, once again, TIPS (Tennessee Information Public Safety) compliant. Being TIPS compliant (Tennessee Information Public Safety) is a very important part of NG911 (Next Generation) in being able to better locate a cellular telephone caller. Also, the *District* has regained its TIPS and GIS (Geographic Information System) revenue in the amount of \$19,070 and does qualify for revenue that the *District* will receive from the State 911 Board in the amount of \$205,091 for the Intrado Viper phone controller that is now functional in the Center. This controller is fully i3 compliant and has passed all of the tests to be connected to the NextGen 911 NetTN. According to TCS (the NetTN technical services provider), our Center should be live on the Network's wireless deployment before the end of the calendar year 2013.

The State Board has also made available an additional \$300,000 of revenue for purchase /reimbursement of additional necessary equipment. Combined with the previous \$205,091, the total available for the BCECD is \$505,091. Since the purchase of the Viper Controller, Tiburon CAD, a new recording system that is fully digitally capable (already installed and functional), GeoComm mapping services and project, and new dispatch chairs, these monies will be virtually exhausted. Reimbursement to the *District* is in processing at the time of this report.

Declining landline revenue continues to gain momentum. Carriers are converting existing landlines to VOIP and discontinuing to pay the \$1.50/\$3.00 rate that comes directly to the *District*. Charter Communications, alone, converted all of their landlines during the 2012-2013 fiscal year causing an immediate \$36,000.00 loss in revenue to the *District*. This trend will continue. AT&T has informed customers that they plan to have all "POTS" lines converted within 5 years. As a result, TN911 (an association founded in Bedford County) is leading the charge in changing the funding model for Districts across the state. The current projection is for a bill to be introduced in the next legislative session, beginning in January, 2014 that will affect this change. Currently, a flat-rate model for all devices is gaining traction as the method of choice.

The *District* continues to utilize the reverse 911 system CodeRed as well as Smart911.

INDEPENDENT AUDITORS' 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, 2013, and the related notes to the 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 of 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 as of June 30, 2013, and the 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 7 be presented to supplement the financial statements. Such information, although not a part of the 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 financial statements, and other knowledge we obtained during our audit of the 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 financial statements. The introductory section and the supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements.

The introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the 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 30, 2013, 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 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 of Emergency Communications District of Bedford County's internal control over financial reporting and compliance.

Winnett Associates, PLLC

September 30, 2013

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

June 30, 2013

ASSETS

CURRENT ASSETS

Cash	\$	438,957
Accounts receivable		31,294
Due from Tennessee Emergency Communications Board		138,415
Due from primary government		36,328
Prepaid expenses		26,921
		671,915
TOTAL CURRENT ASSETS		671,915

CAPITAL ASSETS

Building and improvements		242,481
Furniture and fixtures		90,188
Office equipment		48,722
Communications equipment		744,084
Vehicles		45,150
Intangibles		29,152
Other capital assets		109,564
		1,309,341
Less: accumulated depreciation		578,894
		730,447

OTHER ASSETS

Security deposits		100
		100
TOTAL ASSETS		1,402,462

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable		30,882
Compensated absences payable		26,879
Payroll deductions payable		1,587
Accrued payroll		12,640
		71,988
TOTAL CURRENT LIABILITIES		71,988

NET POSITION

Net investment in capital assets		730,447
Unrestricted		600,027
		1,330,474
TOTAL NET POSITION		\$ 1,330,474

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, 2013

OPERATING REVENUES

Emergency telephone service charge	\$ 269,206
Tennessee Emergency Communications Board-shared wireless charge	110,747
Tennessee Emergency Communications Board-operational funding	206,438
Other operating revenues	<u>2,144</u>
TOTAL OPERATING REVENUES	588,535

OPERATING EXPENSES

Salaries and Wages:

Director	45,582
Dispatchers	297,048
Overtime	65,180
Part-time personnel	5,367
Other salaries and wages	<u>11,920</u>
Total Salaries and Wages	425,097

Employee Benefits:

Social security	23,645
Medicare	5,530
Life insurance	490
Medical insurance	39,519
Unemployment compensation	3,005
Retirement contributions	<u>17,550</u>
Total Employee Benefits	89,739

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, 2013

Contracted Services:

Addressing/Mapping expenses	\$ 240
Audit services	8,689
Administrative fees-service charges	7,873
Contracts with government agencies	22,617
Fees paid to service providers	49,614
Legal services	8,800
Maintenance agreements	73,240
NCIC/TBI/TIES expenses	6,480
Pest control	1,015
Lease/rental-communications equipment	950
Lease/rental-furniture and fixtures	2,298
Maintenance and repairs-communications equipment	4,844
Maintenance and repairs-buildings and facilities	6,362
Maintenance and repairs-office equipment	450
Maintenance and repairs-vehicles	25
Fuel-vehicles	1,183
	<hr/>
Total Contracted Services	194,680

Supplies and Materials:

Office supplies	1,747
Custodial supplies	696
Postage	535
Uniforms and shirts	200
Utilities-electric	15,645
Utilities-gas	3,047
Utilities-general telephone	16,403
Utilities-cell phone and pagers	2,610
Other supplies and materials	(125)
	<hr/>
Total Supplies and Materials	40,758

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, 2013

Other Charges:		
Board meeting expenses		770
Dues and memberships		3,785
Employee testing and exams		1,540
Insurance-workers compensation		2,226
Insurance-buildings and contents		6,261
Insurance-vehicles		958
Legal notices		607
Premiums on surety bonds		569
Training expenses		6,982
Travel expenses		2,848
Internet charges		2,286
Bank charges		<u>41</u>
	Total Other Charges	28,873
Depreciation Expense		<u>136,008</u>
	TOTAL OPERATING EXPENSES	<u>915,155</u>
	OPERATING INCOME (LOSS)	<u>(326,620)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income		149
Tennessee Emergency Communications Board-grants and reimbursements		184,242
Contributions from primary government		379,593
Interest expense		<u>(1,765)</u>
	TOTAL NONOPERATING REVENUES (EXPENSES)	<u>562,219</u>
	CHANGE IN NET POSITION	235,599
	NET POSITION - BEGINNING OF PERIOD	<u>1,094,875</u>
	NET POSITION - END OF PERIOD	<u><u>\$ 1,330,474</u></u>

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from surcharges and other revenues	\$ 465,697	
Cash payments to suppliers for goods and services	(212,667)	
Cash payments for payroll, taxes, and related benefits	(501,263)	
NET CASH USED BY OPERATING ACTIVITIES	(248,233)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Grants and reimbursements	119,526	
Principal paid on lease obligations	(30,704)	
Interest paid on lease obligations	(1,765)	
Acquisition of capital assets	(119,526)	
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(32,469)	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Contributions from primary government	343,266	
Grants and reimbursements	64,716	
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	407,982	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	149	
NET CASH PROVIDED BY INVESTING ACTIVITIES	149	
NET INCREASE IN CASH		127,429
CASH, JULY 1, 2012		311,528
CASH, JUNE 30, 2013		\$ 438,957
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET		
CASH USED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (326,620)	
Adjustments to reconcile operating income (loss) to net cash flows from operating activities -		
Depreciation	136,008	
Change in assets and liabilities:		
Accounts receivable - fees	(1,777)	
Due from Tennessee Emergency Communications Board	(121,060)	
Prepaid expenses	20,179	
Accounts payable	27,608	
Payroll deductions payable	933	
Compensated absences payable	12,719	
Accrued payroll	12,640	
Due to primary government	(8,862)	
NET CASH USED BY OPERATING ACTIVITIES	\$ (248,232)	
CASH PAID DURING THE YEAR FOR INTEREST	\$ 1,765	

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, 2013

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 non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

NOTES TO FINANCIAL STATEMENTS (continued)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)
June 30, 2013

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 modified 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. Depreciation expense is budgeted 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 non-operating 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, and certificates of deposit with an original maturity of 90 days or less to be cash and cash equivalents. At June 30, 2013, 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, 2013

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 does not have any items that qualify for reporting in this category as of June 30, 2013.

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 does not have any items that qualify for reporting in this category as of June 30, 2013.

NOTE B - CASH AND CASH EQUIVALENTS

The District's investments must be made in accordance with Section 5-8-301, *Tennessee Code Annotated* which generally limits maturities to no greater than two years. The board of directors has not formally adopted deposit and investment policies that limit the District's allowable deposits or investments; however, during the year ended June 30, 2013, the board of directors chose to limit the investment of funds to deposits at banks.

Cash - At June 30, 2013, the carrying amount of cash deposits was \$438,957 and the bank balance was \$537,304. At June 30, 2013, 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, 2013

NOTE B - CASH AND CASH EQUIVALENTS (CONTINUED)

Cash is presented in the financial statements as follows:

<u>Cash Accounts</u>	<u>Interest Rate</u>	<u>June 30, 2013</u>	
		<u>Carrying Amount</u>	<u>Bank Balance</u>
First Bank checking	N/A	\$ 363,434	\$ 461,781
First Bank money market	.20%	<u>75,523</u>	<u>75,523</u>
		<u>\$ 438,957</u>	<u>\$ 537,304</u>

NOTE C - ACCOUNTS RECEIVABLE

The District receives the majority of its revenue from the telephone subscribers residing within Bedford County. As provided in the Act, telephone companies collect the 911 fees from the subscribers and remit the funds on a no longer than bi-monthly basis to the District. The policy of the telephone companies has been to remit based upon their billings rather than on their collections. Accordingly, the financial statements do not include a provision for bad debts.

The following is the detail of the receivables at June 30, 2013:

AT&T	\$ 12,563
United Telephone Company	15,437
Others	<u>3,294</u>
	<u>\$ 31,294</u>

NOTE D - ACCOUNTS PAYABLE

Accounts payable include amounts due vendors in the amount of \$30,882 at June 30, 2013.

NOTE E - SPECIAL INVESTIGATION

The State of Tennessee Comptroller's office performed a special investigation of the District and released its report March 25, 2013. In the report questionable purchases totaling \$46,807 were identified as well as several deficiencies in purchasing procedures and other findings including noncompliance with District policies.

The matter of the questionable costs has been referred to the District Attorney General of the 14th Judicial District to consider legal action.

This special investigative report is a matter of public record and is made available for public inspection. Any inquiries concerning the investigation should be directed toward the State of Tennessee Comptroller of the Treasury, First Floor, State Capitol, Nashville, Tennessee 37243-9034.

NOTES TO FINANCIAL STATEMENTS (continued)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)
June 30, 2013

NOTE F - CAPITAL ASSETS

Capital assets are summarized as follows:

	<u>June 30,</u> <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2013</u>
<u>Capital assets, being depreciated -</u>				
Building and improvements	\$ 242,481	\$ -	\$ -	\$ 242,481
Furniture and fixtures	90,188	-	-	90,188
Office equipment	67,905	-	19,183	48,722
Communications equipment	855,833	90,374	202,123	744,084
Vehicle	45,150	-	-	45,150
Intangibles	-	29,152	-	29,152
Other fixed assets	<u>143,564</u>	<u>-</u>	<u>34,000</u>	<u>109,564</u>
Subtotal	1,445,121	119,526	255,306	1,309,341
<u>Less accumulated depreciation -</u>				
Building and improvements	(23,401)	(6,062)	-	(29,463)
Furniture and fixtures	(42,734)	(8,947)	-	(51,681)
Office equipment	(38,517)	(13,701)	(19,183)	(33,035)
Communications equipment	(470,562)	(89,292)	(202,123)	(357,731)
Vehicle	(32,218)	(5,747)	-	(37,965)
Intangibles	-	(1,944)	-	(1,944)
Other fixed assets	<u>(90,760)</u>	<u>(10,315)</u>	<u>(34,000)</u>	<u>(67,075)</u>
Subtotal	<u>(698,192)</u>	<u>(136,008)</u>	<u>(255,306)</u>	<u>(578,894)</u>
Capital assets, being depreciated, net	<u>\$ 746,929</u>	<u>\$ (16,482)</u>	<u>\$ -</u>	<u>\$ 730,447</u>

NOTE G - 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.

NOTE H - LONG-TERM DEBT

Long-term liability activity for capital leases for the year ended June 30, 2013, was as follows:

Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2013</u>	Due Within <u>One Year</u>
\$ 30,704	\$ -	\$ 30,704	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS (continued)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)
June 30, 2013

NOTE I – CAPITAL LEASE OBLIGATIONS

The District has entered into lease agreements as lessee for financing the acquisition of capital assets including communications equipment. These lease agreements are capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset:	
Communication equipment	\$ 604,591
Less: accumulated depreciation	<u>(337,563)</u>
Total, net	<u>\$ 267,028</u>

This lease was paid off during the year ended June 30, 2013.

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

Year ended June 30, 2013

	Actual (Modified Cash Basis)	Budget (Modified Cash Basis)	Variance Under (Over)
<u>CASH RECEIPTS</u>			
Emergency telephone service charge	\$ 267,428	\$ 305,500	\$ 38,072
TECB - shared wireless charge	109,213	106,320	(2,893)
TECB - operational funding	206,438	194,000	(12,438)
TECB - grants and reimbursements	64,716	49,000	(15,716)
Interest income	149	100	(49)
Contributions from primary government	343,266	379,143	35,877
Other operating revenues	2,144	1,000	(1,144)
TOTAL MODIFIED CASH BASIS RECEIPTS	<u>993,354</u>	<u>1,035,063</u>	<u>41,709</u>
<u>CASH DISBURSEMENTS</u>			
Salaries and Wages:			
Director	55,193	49,313	(5,880)
Administrative personnel	-	6,197	6,197
Dispatchers' salaries	265,701	346,503	80,802
Overtime pay	63,725	65,000	1,275
Part-time personnel	5,018	10,000	4,982
Other salaries and wages	10,101	22,640	12,539
	<u>399,738</u>	<u>499,653</u>	<u>99,915</u>
Employee Benefits:			
Social security	26,342	27,311	969
Medicare	6,161	6,387	226
Life insurance	551	758	207
Medical insurance	42,835	68,684	25,849
Unemployment compensation	3,005	2,106	(899)
Retirement contributions	19,707	26,254	6,547
	<u>98,601</u>	<u>131,500</u>	<u>32,899</u>

BUDGETARY COMPARISON SCHEDULE (MODIFIED CASH BASIS BUDGET) (continued)

EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

(a component unit of Bedford County, Tennessee)

Year ended June 30, 2013

	Actual (Modified Cash Basis)	Budget (Modified Cash Basis)	Variance Under (Over)
Contracted Services:			
Addressing/Mapping expenses	29,392	30,000	608
Audit services	8,689	8,689	-
Administrative fees-service charges	7,816	10,500	2,684
Contracts with government agencies	225	225	-
Fees paid to service providers	53,841	64,700	10,859
Legal services	8,800	8,850	50
Maintenance agreements	46,502	75,358	28,856
NCIC/TBI/TIES expenses	5,080	6,500	1,420
Pest control	1,015	1,500	485
Lease/rental-communications equipment	31,654	17,216	(14,438)
Lease/rental-furniture and fixtures	2,298	2,500	202
Maintenance and repairs-communications equipment	4,844	4,844	-
Maintenance and repairs-buildings and facilities	6,362	6,545	183
Maintenance and repairs-office equipment	450	450	-
Maintenance and repairs-vehicles	25	935	910
Fuel-Vehicles	1,226	2,500	1,274
	<u>208,219</u>	<u>241,312</u>	<u>33,093</u>
Supplies and Materials:			
Office supplies	1,747	3,000	1,253
Custodial supplies	696	1,500	804
Postage	535	557	22
Small equipment purchases	-	1,500	1,500
Uniforms and shirts	200	4,000	3,800
Utilities-electric	15,589	16,000	411
Utilities-gas	3,044	2,876	(168)
Utilities-general telephone	15,284	15,160	(124)
Utilities-cell phone and pagers	2,656	3,600	944
Other supplies and materials	(125)	1,500	1,625
	<u>39,626</u>	<u>49,693</u>	<u>10,067</u>

BUDGETARY COMPARISON SCHEDULE (MODIFIED CASH BASIS BUDGET) (continued)

EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

(a component unit of Bedford County, Tennessee)

Year ended June 30, 2013

	Actual (Modified) (Cash Basis)	Budget (Modified) (Cash Basis)	Variance Under (Over)
Other Charges:			
Board meeting expenses	770	1,000	230
Dues and memberships	3,785	6,000	2,215
Employee testing and exams	1,540	1,810	270
Insurance-workers compensation	2,226	2,226	-
Insurance-buildings and contents	6,261	6,261	-
Insurance-vehicles	958	1,249	291
Legal notices	678	1,000	322
Premiums on surety bonds	350	775	425
Service awards	-	3,900	3,900
Training expenses	6,982	12,000	5,018
Travel expenses	2,848	5,000	2,152
Internet charges	2,096	2,520	424
Interest expense	1,765	1,765	-
Bank charges	41	100	59
Capital purchases - communications equipment	90,374	-	(90,374)
	<u>120,674</u>	<u>45,606</u>	<u>(75,068)</u>
Depreciation	<u>136,008</u>	<u>121,214</u>	<u>(14,794)</u>
TOTAL MODIFIED CASH BASIS DISBURSEMENTS	<u>1,002,866</u>	<u>1,088,978</u>	<u>86,112</u>
DISBURSEMENTS (OVER) UNDER RECEIPTS	<u>(9,512)</u>	<u>\$ (53,915)</u>	<u>\$ (44,403)</u>
Reconciliation of Modified Cash Basis to Accrual Basis -			
Capital purchase	119,526		
Principal payments on lease	30,704		
Increase in accounts receivable - fees	1,777		
Increase in due from TECB	121,060		
Increase in due from primary government	36,328		
Decrease in prepaid expenses	(20,179)		
Increase in accounts payable	(27,608)		
Increase in accrued payroll	(12,640)		
Increase in compensated absences payable	(12,719)		
Decrease in due to primary government	8,862		
NET RECONCILIATION MODIFIED CASH TO ACCRUAL	<u>245,111</u>		
CHANGE IN NET POSITION (ACCRUAL)	235,599		
NET POSITION, JULY 1 2012	1,094,875		
NET POSITION, JUNE 30 2013	<u>\$ 1,330,474</u>		

**INDEPENDENT AUDITORS' 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, 2013, and the related notes to the financial statements, which collectively comprise the Emergency Communications District of Bedford County's financial statements and have issued our report thereon dated September 30, 2013.

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 those 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2013-1 and 2013-2.

As required by the State of Tennessee Department of Audit, *Audit Manual*, we acknowledge the following other matter:

The State of Tennessee Comptroller's office performed a special investigation of the District and released its report March 25, 2013. In the report questionable purchases totaling \$46,807 were identified. This matter has been referred to the District Attorney General of the 14th Judicial District to consider legal action.

Emergency Communications District of Bedford County's Response to Findings

Emergency Communications District of Bedford County's response to the findings 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

September 30, 2013

SCHEDULE OF FINDINGS
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

June 30, 2013

Current Year

Finding 2013-1:

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: We recommend the District carefully monitor its budget each month and make amendments as necessary to authorize all expenditures prior to their being incurred.

Management's Response: Steps are being taken to correct this finding.

Finding 2013-2:

Condition, Criteria, Cause and Effect: The State of Tennessee Comptroller's office performed a special investigation of the District and released its report March 25, 2013. Included in their report was Finding 12.08 which stated "the district did not issue receipts for collections. Section 9-2-103, Tennessee Code Annotated, requires official prenumbered receipts for all collections. This deficiency increases the risks of fraud and abuse." Receipting procedures have not been changed in a manner that addresses this finding.

Recommendation: Prenumbered receipts should be issued for all collections as required by state statute.

Management's Response: Steps are being taken to correct this finding.

Prior Year - Corrective Action Has Not Been Taken

NONE

Prior Year - Corrective Action Has Been Taken

Finding 2012-1:

Condition, Criteria, Cause and Effect: The District does not employ anyone trained to prepare financial statements for external reporting in accordance with generally accepted accounting principles.

Status: The bookkeeping function has been turned over to the finance department of Bedford County which employs persons trained to prepare financial statements for external reporting.

SCHEDULE OF FINDINGS (continued)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
June 30, 2013

Prior Year - Corrective Action Has Been Taken (Continued)

Finding 2012-2:

Condition, Criteria, Cause and Effect: – We noted that the fourth quarter 2011 and first quarter 2012 quarterly federal payroll tax returns, IRS forms 941, have not been prepared.

Status: The applicable returns have been prepared and filed.

Finding 2012-3:

Condition, Criteria, Cause and Effect: – It is our understanding that debit cards were given to employees in previous years for which applicable state and federal payroll tax returns have not been completed.

Status: The results of the State of Tennessee's investigative audit were that identification could not be made of the dollar amounts of these cards for each person receiving a card. The District has adopted the purchasing procedures of Bedford County and no longer pay bonuses utilizing debit cards.

Finding 2012-4:

Condition, Criteria, Cause and Effect: – It is our understanding that support for all expenditures is presented to the check signers prior to signing. During our audit, we requested support for credit card payments and noted support was not present for the two months credit card bills we requested. As a result we could not determine whether controls over the Director's credit card invoices or other expenditures, such as travel, were operating as described. Furthermore, it is our understanding that while support is to be presented for check signing, no one with authority over the Director, such as a board member, formally approves the Director's expenses.

Status: The Bedford County Finance Director is now a co-signer on all checks, and support is presented with each check prior to signing.

Finding 2012-5:

Condition, Criteria, Cause and Effect: Our audit testing in the area of cash receipts revealed the District's procedure is to make deposits based on having what is considered to be enough checks to warrant making the deposit. The District's current practice does not appear to meet the State of Tennessee's laws concerning the timing of deposits which require deposits to be made as soon as practical but not later than within three days of receipt. It is our experience that the use of the word "practical" often applies to the accessibility of the bank or the size of the deposits.

Status: Deposits are being made multiple times per week.