

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS**

**DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

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**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

**INTRODUCTORY SECTION**

**JUNE 30, 2013**

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
BOARD OF DIRECTORS  
JUNE 30, 2013**

**Everett Bolin, Chairman**  
2089 East First Street  
Crossville, Tennessee 38555

**Creed Lynn Tollett, Vice Chairman**  
7680 Dunbar Road  
Crossville, Tennessee 38572

**McKinley Tabor, Treasurer**  
P.O. Box 2582  
Crossville, Tennessee 38557

**Robert Citkovic, Secretary**  
18 Pamala Lane  
Fairfield Glade, Tennessee 38558

**Amy Cox, Director**  
1385 Golf Club Lane  
Crossville, Tennessee 38571

**Mark Fox, Director**  
100 Lantana Road, Suite 202  
Crossville, Tennessee 38555

**Woody Geisler, Director**  
108 Greenwood Rd  
Crossville, Tennessee 38558

**Kimberly Peaslee, Director**  
9997 Old Hwy 28  
Pikeville, Tennessee 37367

**Trey Kerley, Director**  
7033 Chief White Eagle Ln  
Crossville, Tennessee 38572

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

**FINANCIAL SECTION**

**JUNE 30, 2013**

CERTIFIED PUBLIC ACCOUNTANTS

Joe Savage  
Marie I. Niekerk  
Josh Stone  
Earl O. Wright - 1988 - 2002

Stephen J. Parsons - Retired  
Catherine R. Hulme  
Rebecca Hutsell  
William R. Scandlyn - 1988 - 1999

**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors of  
Cumberland County Emergency Communications  
District of Cumberland County, Tennessee

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Cumberland County Emergency Communications District of Cumberland County, Tennessee (the "District"), a component unit of Cumberland County, Tennessee, as of and for the year ended June 30, 2013, which comprise the statement of net position, the statement of revenues, expenses and changes in net position and cash flows 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cumberland County Emergency Communications District of Cumberland County, Tennessee as of June 30, 2013, and the change 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 Supplemental Information**

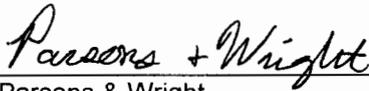
Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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 Cumberland County Emergency Communications District of Cumberland County, Tennessee's basic financial statements. The Schedule of Revenues and Expenses – Budget to Actual (Cash Basis Budget) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Revenues and Expense – Budget to Actual (Cash Basis Budget) is the responsibility of management and was derived from and related 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 statement 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 Schedule of Revenues and Expense – Budget to Actual (Cash Basis Budget) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated November 1, 2013, on our consideration of the Cumberland County Emergency Communications District of Cumberland 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 Cumberland County Emergency Communications District of Cumberland County, Tennessee's internal control over financial reporting and compliance.

  
\_\_\_\_\_  
Parsons & Wright  
Certified Public Accountants  
Kingston, Tennessee

November 1, 2013

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

As financial management of the Cumberland County Emergency Communications District (the "District"), we offer readers of these financial statements this narrative overview and analysis of the District for the fiscal year ending June 30, 2013. Please read it in conjunction with the District's financial statements, which follows this section.

**FINANCIAL HIGHLIGHTS**

The District's total net assets increased in 2012/2013 from \$1,112,856 to \$1,114,314 or .1% over the previous year. We attribute the increase to the receipt of a large grant during the current year. We experienced a decrease in our operating revenues and an increase in our non-operating revenues. We experienced an overall increase in revenues of 23.3%. This increase is attributed primarily to the receipt of a grant of \$321,219 in the current year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of two components: 1) financial statements comprised of the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**FINANCIAL STATEMENTS**

The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position, may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets (without a corresponding increase to liabilities) results in increased net position, which indicates an improved financial position.

The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the District's net position changed during the last year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs (full accrual accounting), regardless of the timing of the 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 (e.g., uncollected user service fees, uncollected subsidy payments, and earned but unused vacation leave).

The Statement of Cash Flows presents information on the actual cash inflows and outflows resulting from the various operating, financing, capital, and investing activities of the District for the last year.

The financial statements can be found on pages 8-13 of this report.

**Notes to 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 14-21 of this report.

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budgetary compliance and variances from the final budget. This supplementary information can be found on pages 22-24 of this report.

**FINANCIAL ANALYSIS**

Net position may serve, over time as a useful indicator of the government's financial position. In the case of the District, assets exceeded liabilities by \$1,114,314 at the close of the last fiscal year ending June 30, 2013. The District repaid \$48,000 of its long-term indebtedness.

The District showed a decrease in the amount of landline revenue this year. This has been a recurring trend now for the past five (5) fiscal years. This is due to the move to newer wireless and VOIP technologies.

Our non-operating revenues increased due to the receipt of a large grant received in the current fiscal year.

**NET POSITION**

**Table 1  
Net Assets  
Years ended June 30, 2013 and 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Increase (Decrease)</u>	<u>Change %</u>
Current and other assets	\$569,544	\$448,668	\$120,876	26.94%
Capital Assets	<u>1,257,107</u>	<u>1,404,478</u>	<u>-147,371</u>	-10.49%
<b>Total Assets</b>	<b><u>\$1,826,651</u></b>	<b><u>\$1,853,146</u></b>	<b><u>-\$26,495</u></b>	-1.43%
Current Liabilities	\$113,251	\$108,290	\$4,961	4.58%
Long-term Debt: Bonds Payable	<u>599,086</u>	<u>632,000</u>	<u>(32,914)</u>	-5.21%
<b>Total Liabilities</b>	<b><u>\$712,337</u></b>	<b><u>\$740,290</u></b>	<b><u>(\$27,953)</u></b>	-3.78%
Net Position:				
Net Investment in Capital Assets	\$603,659	\$720,132	-\$116,473	-16.17%
Restricted	\$0	\$100,000		
Unrestricted	<u>510,655</u>	<u>292,724</u>	<u>217,931</u>	74.45%
<b>Total Net Position</b>	<b><u>\$1,114,314</u></b>	<b><u>\$1,112,856</u></b>	<b><u>\$1,458</u></b>	0.13%
<b>Total Liabilities and Net Position</b>	<b><u>\$1,826,651</u></b>	<b><u>\$1,853,146</u></b>	<b><u>-\$26,495</u></b>	-1.43%

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

**Table 2  
Condensed Statements of Revenues, Expenses, and Changes in Net Assets  
Years Ended June 30, 2013 and 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Increase (Decrease)</u>	<u>%</u>
<b>Revenues:</b>				
Operating Revenues	\$814,289	\$895,346	(\$81,057)	-9.05%
Non-operating revenues				
Interest Income	2,136	3,037	(\$901)	-29.67%
TECB - Grants and Reimbursements	321,219	30,110	\$291,109	966.82%
Gain/(Loss) on Disposal of Property	3,000	(3,052)	\$6,052	100.00%
<b>Total Revenues</b>	<u>\$1,140,644</u>	<u>\$925,441</u>	<u>\$215,203</u>	<u>23.25%</u>
<b>Expenses:</b>				
Operating Expenses	\$936,964	\$826,832	\$110,132	13.32%
Depreciation Expense	199,460	175,777	23,683	13.47%
Interest and Amortization	2,762	2,598	164	0.00%
<b>Total Operating Expenses</b>	<u>\$1,139,186</u>	<u>\$1,005,207</u>	<u>\$133,979</u>	<u>13.33%</u>
Changes in net assets	\$1,458	(\$79,766)	\$81,224	-101.83%
Beginning net assets	1,112,856	1,192,622	(79,766)	-6.69%
Ending net assets	<u>\$1,114,314</u>	<u>\$1,112,856</u>	<u>\$1,458</u>	<u>0.13%</u>

**CAPITAL ASSETS**

The following table summarizes the District's capital assets, net of accumulated depreciation for the fiscal years ended June 30, 2013 and 2012:

**Table 3  
Capital Assets, Net of Accumulated Depreciation  
Year ended June 30, 2013 and 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Building and Improvements	\$1,032,756	\$1,032,756
Furniture and Fixtures	15,290	17,587
Office Equipment	32,439	36,399
Communications Equipment	1,179,647	1,168,603
Vehicles	20,987	20,987
<b>Total</b>	<u>\$2,281,119</u>	<u>\$2,276,332</u>
Accumulated Depreciation	1,024,012	871,854
<b>Capital Assets, Net of Accumulated Depreciation</b>	<u>\$1,257,107</u>	<u>\$1,404,478</u>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

**LONG-TERM DEBT**

The District's long-term debt consists of the following:

	FY 2013	FY 2012	\$ Change
Tennessee Municipal Bond Fund	\$ 632,000	\$ 680,000	\$ (48,000)
Payment Agreement, DSS Corp	<u>21,448</u>	<u>-</u>	<u>21,448</u>
	<u>\$ 653,448</u>	<u>\$ 680,000</u>	<u>\$ (26,552)</u>

See Note F of the financial statements for additional details.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

*Economic Factors and Rates:*

- The District currently maintains a rate for the Emergency Telephone Service Charge (the vast majority of our annual revenue) of \$1.40 per residential line and \$2.75 per commercial line. In 2007, the District petitioned the Tennessee Emergency Communication Board for an extension to the current rate through July 2011. We petitioned the State to maintain our existing rates in 2011 and were successful.
- As expressed in a previous section, we are continuing to be concerned about the migration from land line phone to cellular or other technologies (VOIP). This is a problem across most of the 911 Districts statewide. Even with the increases from the wireless 911 distributions from the State, we continue to see a steady decline in our overall revenue. Our decrease in revenue this year compared to last year shows a downward trend in our ability to generate revenue. With the continuing decline in landline revenue and the static nature of our wireless revenue, we could see significant loss of revenue in future years. We will continue to monitor this trend, and if necessary, consider appealing to the ECB to increase our Emergency Telephone Surcharge to the maximum allowed under the law, which is \$1.50 per residential line and \$3.00 per commercial line.

*Future Budgetary Considerations:*

In 2013/2014 the District is facing several budgetary challenges:

- Continuing to fund the AVL/GPS Vehicle Guidance Program. Recurring costs for the infrastructure program have proven to be more expensive than originally expected. We are negotiating with our cellular provider to bring down these costs. However, at the same time we are hoping to expand the services available with the AVL devices. This would keep the cost of the AVL expense at approximately the same level.
- The District will also be facing a new challenge in meeting the Next Generation 9-1-1 implementation, which is a statewide and national initiative. The Tennessee Emergency Communications Board did provide a grant to offset the cost of the equipment requirements, but it remains to be seen if it will cover all of the actual expenses.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Cumberland County 911 Emergency Communications District  
Office of the Treasurer  
42 Southbend Drive, Crossville, Tennessee 38555

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	236,415
Certificates of Deposit		196,564
Accrued Interest Receivable		1,280
Accounts Receivable		89,638
Prepaid Expenses		41,651
<b>Total Current Assets</b>	<b>\$</b>	<b><u>565,548</u></b>

**NON-CURRENT ASSETS**

Other Assets		
Unamortized Bond Cost	\$	<u>3,996</u>
Capital Assets		
Building and Improvements	\$	1,032,756
Furniture and Fixtures		15,290
Office Equipment		32,439
Communications Equipment		1,179,647
Vehicles		20,987
<b>Total Capital Assets</b>	<b>\$</b>	<b>2,281,119</b>
Accumulated Depreciation		<u>(1,024,012)</u>
<b>Capital Assets, Net of Depreciation</b>	<b>\$</b>	<b><u>1,257,107</u></b>
<b>Total Non-Current Assets</b>	<b>\$</b>	<b><u>1,261,103</u></b>

**TOTAL ASSETS**

**\$ 1,826,651**

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable	\$	48,869
Accrued Payroll		2,493
Compensated Absences Payable		3,968
Accrued Payroll Deductions		3,559
Notes Payable - Current		54,362
<b>Total Current Liabilities</b>	<b>\$</b>	<b><u>113,251</u></b>

**NON-CURRENT LIABILITIES**

Notes Payable - Long-term	\$	<u>599,086</u>
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**TOTAL LIABILITIES**

**\$ 712,337**

**NET POSITION**

**NET POSITION**

Net Investment in Capital Assets	\$	603,659
Unrestricted Net Position		<u>510,655</u>

**TOTAL NET POSITION**

**\$ 1,114,314**

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
JUNE 30, 2013**

**OPERATING REVENUES**

Emergency Telephone Service Charge	\$ 453,190
Tennessee Emergency Communications Board - Shared Wireless Charge	137,771
Tennessee Emergency Communications Board - Operational Funding	189,006
Other Operating Revenue	34,322
<b>Total Operating Revenues</b>	<b>\$ <u>814,289</u></b>

**OPERATING EXPENSES**

**Salaries and Wages**

Director	\$ 45,023
Administrative Personnel	108,474
Former Director Severance Settlement	36,900
<b>Total Salaries and Wages</b>	<b>\$ <u>190,397</u></b>

**Employee Benefits**

Social Security	\$ 11,652
Medicare	2,733
Medical Insurance	49,341
<b>Total Employee Benefits</b>	<b>\$ <u>63,726</u></b>

**Contracted Services**

Audit Services	\$ 5,500
Accounting Services	2,860
Impact Payments	281,901
Janitorial Services	5,400
Legal Services	15,659
Maintenance Agreements	50,493
NCIC/TBI/TIES Expenses	4,640
Other Consultants	13,064
Administrative Services	13,000
Pest Control	165
Maintenance and Repairs - Communication Equipment	12,790
Maintenance and Repairs - Buildings and Facilities	3,018
Maintenance and Repairs - Office Equipment	7,924
Maintenance and Repairs - Vehicles	1,726
Fuel - Vehicles	1,561
Language Line	342
Garbage Pickup	1,837
<b>Total Contracted Services</b>	<b>\$ <u>421,880</u></b>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)  
JUNE 30, 2013**

<b><u>Supplies and Materials</u></b>	
Office Supplies	\$ 20,803
Custodial Supplies	36
Postage	509
Uniforms and Shirts	2,449
Utilities - Electric	19,389
Utilities - Gas	807
Utilities - Water	402
Utilities - General Telephone	14,238
Utilities - Cell Phones and pagers	488
Utilities - Computer Lines	1,856
Utilities - Trunk Lines	38,385
Utilities - AVL Wireless	96,365
Total Supplies and Materials	<u>\$ 195,727</u>
<b><u>Other Charges</u></b>	
Dues and Memberships	\$ 3,706
Insurance - Workers Compensation	922
Insurance - Liability and Building and Contents	13,340
Insurance - Vehicles	2,227
Legal Notices	832
Premiums on Surety Bonds	1,685
Public Education	1,993
Training Expenses	1,703
Travel Expenses	5,872
Internet Charges	3,223
Dispatcher Training	23,982
Other Fees	5,749
Total Other Charges	<u>\$ 65,234</u>
<b><u>Depreciation</u></b>	
Depreciation Expense	\$ 199,460
Total Depreciation	<u>\$ 199,460</u>
<b><u>Amortization</u></b>	
Amortization Expense	\$ 350
Total Amortization	<u>\$ 350</u>
<b>Total Operating Expenses</b>	<u>\$ 1,136,774</u>
Operating Income (Loss)	<u>\$ (322,485)</u>

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

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)  
JUNE 30, 2013**

<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	\$ 408
Investment Income	1,728
Tennessee Emergency Communications Board - Grants & Reimbursements	321,219
Interest Expense	(2,412)
Gain/Loss on Disposal of Property	3,000
Total Nonoperating Revenues (Expenses)	<u>\$ 323,943</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ 1,458</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>\$ <u>1,112,856</u></b>
<b>NET POSITIOIN - END OF YEAR</b>	<b>\$ <u><u>1,114,314</u></u></b>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013**

**CASH FLOW FROM OPERATING ACTIVITIES**

Cash Received from Surcharge and Other Revenues	\$ 826,134
Cash Payments to Suppliers for Goods and Services	(706,678)
Cash Payments for Payroll, Taxes, and Related Benefits	<u>(249,894)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ <u>(130,438)</u></b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Grants/Reimbursements TECB	\$ <u>321,219</u>
<b>Net Cash Provided (Used) by Noncapital and Related Financing Activities</b>	<b>\$ <u>321,219</u></b>

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

Purchase of Capital Assets	\$ (30,641)
Principal Paid on Notes Payable	(48,000)
Interest Paid on Notes Payable	(2,412)
Proceeds from the Sale of Equipment	<u>3,000</u>
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>\$ <u>(78,053)</u></b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income Received	\$ 2,136
Increase in Certificate of Deposit	<u>(949)</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>\$ <u>1,187</u></b>

<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 113,915</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>\$ <u>122,500</u></b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ <u><u>236,415</u></u></b>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ (322,485)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>	
Depreciation	\$ 199,460
Amortization	350
<b>CHANGES IN ASSETS AND LIABILITIES:</b>	
(Increase) Decrease in Accounts Receivable	\$ 11,845
(Increase) Decrease in Prepaid Expenses	(18,207)
Increase (Decrease) in Accounts Payable	(5,630)
Increase (Decrease) in Accrued Payroll	(414)
Increase (Decrease) in Accrued Payroll Deductions Payable	3,064
Increase (Decrease) in Compensated Absences Payable	1,579
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (130,438)</b>
 <b>RECONCILIATION OF CASH WITH STATEMENT OF CASH FLOWS:</b>	
Cash per Statement of Net Assets	\$ 236,415
Investments with Original Maturity of Three (3) Months or Less	0
<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2012</b>	<b>\$ 236,415</b>
 <b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>	
Purchase of Capital Assets on Account	\$ 21,448

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE A - THE REPORTING ENTITY**

The Cumberland County Emergency Communications District of Cumberland County, Tennessee (the District) was organized in July of 1990, under the authority of ***Title 7, Chapter 86, Tennessee Code Annotated***, for the purpose of providing to the residences within the boundaries of Cumberland County, Tennessee emergency 9-1-1 services as a means of securing emergency services quickly and efficiently.

The County Commission of Cumberland County, Tennessee is the basic level of government which has financial accountability and control over certain activities related to the District. The County Commission of Cumberland County, Tennessee must approve any issuance of debt by the District, has the authority to adjust the District's service charges, and appoints the nine member Board of Directors, which governs the District. The District is a component unit of Cumberland County, Tennessee

**NOTE B - SUMMARY OF ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The *Governmental Accounting Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**1. BASIS OF ACCOUNTING**

The financial statements of the District are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The District applies Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails. The District has elected not to adopt the Financial Accounting Standards Board statements and interpretations issued after November 30, 1989, in accordance with Governmental Accounting Standards Board Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*".

Additionally, proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are user fees for landline and wireless telephone customers, as well as charges for tapes. Operating expenses for proprietary funds include the cost of sales and services such as salaries and wages, employee benefits, contracted services, supplies and materials, other charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE B - SUMMARY OF ACCOUNTING POLICIES – Continued**

**2. DEPOSITS AND INVESTMENTS**

For the purpose of the Statement of Cash Flows, cash and cash equivalents have original maturities of three (3) months or less from the date of acquisition.

**3. RECEIVABLES AND PAYABLES**

All trade receivables and payables are recognized when incurred and recorded at full value. Any amounts later determined to be uncollectible are written off when that determination is made. Any necessary allowance for doubtful accounts would not be material.

**4. PREPAID ITEMS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items when paid, and expensed in the applicable future accounting period.

**5. CAPITAL ASSETS**

Capital assets are defined by the District as assets with an initial, individual cost of \$3,000 or greater, and an estimated useful life of three (3) years or greater. Capital assets are carried at cost. The District capitalizes net interest cost as part of the cost of constructing capital assets.

Capital assets in service are depreciated using the straight-line method at rates that will amortize costs over the estimated useful lives of the assets. The estimated useful lives are as follows:

Building and Improvements	40 years
Vehicles, Equipment, and Furniture and Fixtures	5 to 10 years

**6. RESTRICTED ASSETS**

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities will be first used for retirement of related long-term debt. The remainder, if generated from earnings, is shown as Restricted Net Assets.

**7. COMPENSATED ABSENCES**

The District's policy provides that vacation time may be accumulated and carried forward to the next year in an amount not to exceed 184 total hours. Any hours exceeding the 184-hour limit will be converted to sick leave if not used prior to the end of the current employment year. Upon termination of employment, an employee will be entitled to payment of any unused vacation time, which has accrued, up to 184 hours. Payment will be based upon the employee's daily rate of compensation at the time of termination. The accumulated amount is charged to expense and corresponding liability in the financial statements.

**8. LONG-TERM DEBT AND COSTS**

Long-term debt is reported at face value. Costs related to the issuance of debt are deferred and amortized over the life of the debt issuance.

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE B - SUMMARY OF ACCOUNTING POLICIES – Continued**

**9. NET POSITION**

Net position is classified into three components – Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

**Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Position** – This component of net position consist of net position that do not meet the definition of "Restricted" or "Net Investment in Capital Assets".

**10. ESTIMATES**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

**11. BUDGET**

The District is required by state law to adopt an annual operating budget. The Board of Directors approves the original budget and any amendments, and maintains the legal level of control at the line item level. The budget is prepared on the cash basis of accounting. All appropriations lapse at the end of the year. The budget is legally adopted, by the Board of Commissioners, in accordance with the provisions of Tennessee Code Annotated, Section 7-86-120.

**NOTE C – DEPOSITS AND INVESTMENTS**

State of Tennessee statutes restrict the investment options of the District. The District can only invest funds using the following investment options:

Bonds, notes, or treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies;

Certificates of deposit and other evidence of deposit at Tennessee State chartered banks and savings and loan associations and federally chartered banks and savings and loan associations;

The State of Tennessee local government investment pool;

Obligations of the United States or its agencies under a repurchase agreement, with certain conditions;

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE C – DEPOSITS AND INVESTMENTS – Continued**

Bonds rated A or higher by any nationally recognized rating service of the State of Tennessee, bonds of any county or municipal corporations of the State of Tennessee (bonds of any road, levee, or drainage district is expressly excluded), bonds of any other state or political subdivision;

Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, and the Student Loan Marketing Association provided such securities are rated in the highest category by at least two (2) nationally recognized rating services;

The county's own bonds or notes issued in accordance with Tennessee Code Annotated Title 9, Chapter 21.

All investments of the District must have a maturity of not greater than two (2) years or with certain authorized approval up to five (5) years.

At June 30, 2013, the District's deposits and investments consisted of the following:

	Bank Balance	Carrying Value
First Bank - Operating Account	\$ 127,160	\$ 62,714
First National Bank of Tennessee - Payroll Account	5,435	10,155
Certificate of Deposit	90,000	90,000
Progressive Savings Bank - Certificate of Deposit	106,564	106,564
Cumberland County Bank	200,446	163,546
Total Deposits and Investments	\$ 529,605	\$ 432,979

The difference between the bank balance and carrying amount is due to outstanding checks and or deposits in transit at year end.

As of June 30, 2013, deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000. In addition, First Bank is a member of the State of Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool is a multiple financial institution collateral pool in 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 District's deposits in financial institutions were entirely insured or collateralized at June 30, 2013.

The District's only investments at June 30, 2013 were certificates of deposits held at Tennessee state chartered banks.

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE D – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2013 consisted of funds due from the following agencies:

Volunteer First Services	\$ 5,736
Bledsoe Telephone Cooperative	183
Citizens Telecommunications Company of Tennessee	27,780
State of Tennessee	54,984
Other Miscellaenous Providers	955
Total Accounts Receivable	<u>\$ 89,638</u>

**NOTE E – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013, was as follows:

<u>PROPERTY, PLANT &amp; EQUIPMENT</u>	<u>BALANCE JUNE 30, 2012</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE JUNE 30, 2013</u>
<b>Capital Assets, Being Depreciated</b>				
Building and Improvements	\$ 1,032,756	\$ 0	\$ 0	\$ 1,032,756
Office Equipment and Fixtures	53,986	0	(6,257)	47,729
Communication and Computer Equipment	1,168,603	52,089	(41,045)	1,179,647
Vehicles	20,987	0	0	20,987
Total Capital Assets Being Depreciated	<u>\$ 2,276,332</u>	<u>\$ 52,089</u>	<u>\$ (47,302)</u>	<u>\$ 2,281,119</u>
<b>Less: Accumulated Depreciation</b>				
Building and Improvements	\$ 190,090	\$ 27,653	\$ 0	\$ 217,743
Office Equipment and Fixtures	46,951	3,257	(6,257)	43,951
Communication and Computer Equipment	613,826	168,550	(41,045)	741,331
Vehicle	20,987	0	0	20,987
Total Accumulated Depreciation	<u>\$ 871,854</u>	<u>\$ 199,460</u>	<u>\$ (47,302)</u>	<u>\$ 1,024,012</u>
<b>NET CAPITAL ASSETS</b>	<u>\$ 1,404,478</u>	<u>\$ (147,371)</u>	<u>\$ 0</u>	<u>\$ 1,257,107</u>

**NOTE F – LONG-TERM DEBT**

On November 17, 2004, the District obtained financing in the amount of \$1,000,000 through the City of Crossville, from the Public Building Authority of the City of Clarksville, Tennessee Adjustable Rate Pooled Financing Revenue Bonds, Series 2004 (Tennessee Municipal Bond Fund) for the purpose of constructing a new facility for the Emergency Communications Center. The loan rate for each loan payment period is calculated by the Trustee based on interest rates determined by the Remarketing Agent for the current month. The interest rate in effect at June 30, 2013 was .50%.

During 2013, the District purchased equipment on account with DSS Corp. The total equipment purchase was \$32,205, which includes an installation charge of \$1,500. The agreement calls for 5 annual payments of \$9,257 plus payment of the \$1,500 installation charge with the first payment. Total payments under the agreement equal \$47,785. The difference in the amount of the equipment and the total payments is four

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE F – LONG-TERM DEBT – Continued**

annual payments, beginning in year 2, for maintenance. The total amount of the maintenance agreement is \$15,580. The agreement does not call for the payment of interest.

Details of the District's long-term debt for the year ended June 30, 2013 are as follows:

	<u>BALANCE</u> <u>JUNE 30, 2012</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2013</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
Tennessee Adjustable Rate Pooled Financing Revenue Bonds, Series 2004, Maturing 2024, Rate - Adjustable	\$ 680,000	\$ 0	\$ (48,000)	\$ 632,000	\$ 49,000
Payment Agreement DSS Corp, Rate - 0%	0	21,448	0	21,448	5,362
	<u>\$ 680,000</u>	<u>\$ 21,448</u>	<u>\$ (48,000)</u>	<u>\$ 653,448</u>	<u>\$ 54,362</u>

Debt Service Requirements to maturity are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2014	\$ 54,362	\$ 2,216	\$ 56,578
2015	56,362	2,044	58,406
2016	57,362	1,870	59,232
2017	59,362	1,683	61,045
2018	56,000	1,494	57,494
2019	57,000	1,297	58,297
2020	59,000	1,100	60,100
2021	61,000	891	61,891
2022	63,000	677	63,677
2023	64,000	456	64,456
2024	66,000	232	66,232
<b>TOTAL</b>	<u>\$ 653,448</u>	<u>\$ 13,960</u>	<u>\$ 667,408</u>

Interest requirements are computed using the rate in effect at June 30, 2013 of .50% for the revenue bond and 0% for the payment agreement with DSS Corp.

The bonds are secured to the City of Crossville by statutory lien on the property and improvements thereto and on the revenues of the District. In the even that any indebtedness is not satisfied in full by these liens, the City of Crossville is given a lien on the District revenues that are not required uses of "911" revenue, as set forth within Revenue Standards of the Tennessee Emergency Communications Board, as may be amended.

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE G – RISK MANAGEMENT**

The Cumberland County Emergency Communications District of Cumberland County, Tennessee is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three (3) years. There were no significant reductions in insurance coverage in the prior year. The details of the coverage in effect at June 30, 2013 are as follows:

<u>COVERAGE</u>	<u>PERIOD OF COVERAGE</u>	<u>LIMITS</u>
<b>COMMERCIAL GENERAL LIABILITY</b>		
General Aggregate	4/30/13 - 4/30/14	\$ 3,000,000
Products Aggregate		3,000,000
Personal and Advertising Injury		1,000,000
Each Occurrence or Medical Incident		1,000,000
Medical Expense, Any One Person		5,000
<b>VEHICLE</b>		
Liability, Each Accident	4/30/13 - 4/30/14	1,000,000
Uninsured Motorists		1,000,000
Underinsured Motorists		1,000,000
Medical Payments		10,000
Physical Damage - Comprehensive		Actual Cash Value
Physical Damage - Collision		Actual Cash Value
Deductible - Comprehensive		250
Deductible - Collision		250
<b>SCHEDULE OF PROPERTY COVERAGE</b>		
Real Property	4/30/13 - 4/30/14	1,315,932
Personal Property		603,589
Deductible per Occurrence -		
Policy - Per Occurrence		250
Earthquake - Per Item		95,976
Flood - Per Premises		1,000
Money and Securities		10,000
Software		250,000
<b>MANAGEMENT LIABILITY</b>		
Aggregate Limit	4/30/13 - 4/30/14	3,000,000
Wrongful Act, Each Act		1,000,000
Injunctive Relief, Each Action		25,000
<b>WORKMEN'S COMPENSATION</b>		
Each Accident	10/15/13 - 10/15/14	100,000
Disease - Each Employee		100,000
Policy Limit		500,000
<b>EMPLOYEE THEFT</b>		
Per Loss Coverage -		
Limit of Occurrence	6/24/13 - 6/24/14	50,000
Excess Limit of Insurance		
Specified Employee or Positions		
For Employee Theft Only - Limit Per Occurrence		700,000

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE H – CONTINGENT LIABILITIES**

At June 30, 2012, the District was involved in a claim with a former employee regarding a disputed interpretation of an employment contract, whereby, the former employee contended that separation pay and compensation time were owed.

The judgment handed down by the courts called for the District to pay the former employee six month's salary (\$29,758), six month's benefits (\$5,946), and interest for the pre-judgment period at a rate of 1.5% (\$1,196). The District made this payment during the year ended June 30, 2013. The District failed to withhold and pay the applicable payroll taxes related to this payment. At June 30, 2013, the District owes employer portion payroll taxes of \$2,731. Additionally, the former employee owes the same amount for the employee portion payroll taxes. The District plans to collect the employee portion from the former employee and make the full payment to the Internal Revenue Service during the subsequent year.

**NOTE I – SUBSEQUENT EVENTS**

The District has evaluated events and transactions that occurred between June 30, 2013 and November 1, 2013, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. No such items were noted.

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

**SUPPLEMENTAL FINANCIAL INFORMATION**

**JUNE 30, 2013**

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
STATEMENT OF REVENUES AND EXPENSES – BUDGET TO ACTUAL (CASH BASIS BUDGET)  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>OPERATING REVENUES</b>	Actual	Budget	Variance
	<u>(Cash Basis)</u>	<u>(Cash Basis)</u>	<u>Favorable/ (Unfavorable)</u>
Emergency Telephone Service Charge	\$ 466,943	\$ 480,000	\$ (13,057)
TECB - Shared Wireless Charge and Operational Funding	324,869	405,000	(80,131)
Other Operating Revenue	<u>34,322</u>	<u>24,000</u>	<u>10,322</u>
<b>Total Operating Revenues</b>	<b>\$ <u>826,134</u></b>	<b>\$ <u>909,000</u></b>	<b>\$ <u>(82,866)</u></b>
 <b>OPERATING EXPENSES</b>			
<b><u>Salaries and Wages</u></b>			
Director	\$ 44,061	\$ 45,000	\$ 939
Administrative Personnel	108,271	106,142	(2,129)
Former Director Severance Settlement	36,900	0	(36,900)
<b>Total Salaries and Wages</b>	<b>\$ <u>189,232</u></b>	<b>\$ <u>151,142</u></b>	<b>\$ <u>(38,090)</u></b>
 <b><u>Employee Benefits</u></b>			
Social Security	\$ 9,170	\$ 9,200	\$ 30
Medicare	2,151	2,200	49
Medical Insurance	49,341	42,000	(7,341)
<b>Total Employee Benefits</b>	<b>\$ <u>60,662</u></b>	<b>\$ <u>53,400</u></b>	<b>\$ <u>(7,262)</u></b>
 <b><u>Contracted Services</u></b>			
Audit Services	\$ 5,500	\$ 5,500	\$ 0
Accounting Services	2,640	2,500	(140)
Impact Payments	278,694	288,184	9,490
Janitorial Services	5,400	7,000	1,600
Legal Services	17,659	20,000	2,341
Maintenance Agreements	32,286	45,000	12,714
NCIC/TBI/TIES Expenses	4,640	6,500	1,860
Other Consultants	13,064	12,000	(1,064)
Administrative Services	13,000	12,000	(1,000)
Pest Control	165	200	35
Maintenance and Repairs - Communication Equipment	14,260	20,000	5,740
Maintenance and Repairs - Buildings and Facilities	3,147	7,500	4,353
Maintenance and Repairs - Office Equipment	6,592	1,000	(5,592)
Maintenance and Repairs - Vehicles	1,726	1,500	(226)
Fuel - Vehicles	1,561	2,000	439
Language Line	342	500	158
Garbage Pickup	1,698	1,600	(98)
<b>Total Contracted Services</b>	<b>\$ <u>402,374</u></b>	<b>\$ <u>432,984</u></b>	<b>\$ <u>30,610</u></b>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
STATEMENT OF REVENUES AND EXPENSES – BUDGET TO ACTUAL (CASH BASIS BUDGET)  
FOR THE YEAR ENDED JUNE 30, 2013**

	Actual	Budget	Variance
	<u>(Cash Basis)</u>	<u>(Cash Basis)</u>	<u>Favorable/ (Unfavorable)</u>
<b><u>Supplies and Materials</u></b>			
Office Supplies	\$ 22,480	\$ 15,000	\$ (7,480)
Custodial Supplies	36	2,500	2,464
Data Processing Supplies	0	800	800
Postage	509	500	(9)
Small Equipment Purchases	0	500	500
Uniforms and Shirts	2,449	2,500	51
Utilities - Electric	19,420	20,000	580
Utilities - Gas	780	650	(130)
Utilities - Water	358	400	42
Utilities - General Telephone	13,112	12,000	(1,112)
Utilities - Cell Phones and Pagers	450	460	10
Utilities - Computer Lines	276	1,200	924
Utilities - Trunk Lines	39,338	36,000	(3,338)
Utilities - AVL Wireless	90,045	50,000	(40,045)
Printing Expenses	0	300	300
Total Supplies and Materials	<u>\$ 189,253</u>	<u>\$ 142,810</u>	<u>\$ (46,443)</u>
<b><u>Other Charges</u></b>			
Board Meeting Expense	\$ 0	\$ 250	\$ 250
Dues and Memberships	3,706	450	(3,256)
Insurance - Workers Compensation	922	1,600	678
Insurance - Liability and Building and Contents	13,152	13,200	48
Insurance - Vehicles	1,955	1,400	(555)
Legal Notices	832	600	(232)
Licenses and Permits	0	500	500
Premiums on Surety Bonds	1,685	1,405	(280)
Public Education	0	2,000	2,000
Training Expenses	1,703	1,500	(203)
Travel Expenses	5,872	10,000	4,128
Internet Charges	3,223	3,300	77
Dispatcher Training	23,832	24,000	168
Other Fees	5,749	100	(5,649)
Total Other Charges	<u>\$ 62,631</u>	<u>\$ 60,305</u>	<u>\$ (2,326)</u>
<b>Total Operating Expenses</b>	<u>\$ 904,152</u>	<u>\$ 840,641</u>	<u>\$ 63,511</u>
<b>Operating Income (Loss)</b>	<u>\$ (78,018)</u>	<u>\$ 68,359</u>	<u>\$ (146,377)</u>

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
STATEMENT OF REVENUES AND EXPENSES – BUDGET TO ACTUAL (CASH BASIS BUDGET)  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Actual</u> <u>(Cash Basis)</u>	<u>Budget</u> <u>(Cash Basis)</u>	<u>Variance</u> <u>Favorable/</u> <u>(Unfavorable)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest Income	\$ 408	\$ 400	\$ 8
Investment Income	1,732	5,727	(3,995)
TECB - Grants & Reimbursements	321,219	22,350	298,869
Interest Expense	(2,412)	0	(2,412)
Gain/(Loss) on Sale of Equipment	3,000	0	3,000
Total Nonoperating Revenues (Expenses)	<u>\$ 323,947</u>	<u>\$ 28,477</u>	<u>\$ 295,470</u>
<b>CASH BASIS NET INCOME (LOSS)</b>	<u>\$ 245,929</u>	<u>\$ 96,836</u>	<u>\$ 149,093</u>
<b>RECONCILIATION OF CASH BASIS TO ACCRUAL BASIS</b>			
Cash Basis Net Income (Loss)	\$ 245,929		
Depreciation Expense	(199,460)		
Amortization Expense	(350)		
Decrease in Current Receivables	(11,845)		
Increase in Prepaid Expenses	(18,207)		
Increase in Accounts Payable	(10,380) *		
Decrease in Accrued Payroll	414		
Increase in Compensated Absences Payable	(1,579)		
Increase in Accrued Payroll Deductions Payable	<u>(3,064)</u>		
<b>INCREASE (DECREASE) IN NET ASSETS (ACCRUAL)</b>	\$ 1,458		
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>1,112,856</u>		
<b>NET POSITION - END OF YEAR</b>	<u>\$ 1,114,314</u>		

\* Does not include change related to purchases of capital assets in prior year

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE**

**INTERNAL CONTROL AND  
COMPLIANCE AND OTHER MATTERS  
SECTION**

**JUNE 30, 2013**

CERTIFIED PUBLIC ACCOUNTANTS

Joe Savage  
Marie I. Niekerk  
Josh Stone  
Earl O. Wright - 1988 - 2002

Stephen J. Parsons - Retired  
Catherine R. Hulme  
Rebecca Hutsell  
William R. Scandlyn - 1988 - 1999

**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**

The Board of Directors of  
Cumberland County Emergency Communications  
District of Cumberland County, 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 Cumberland County Emergency Communications District of Cumberland County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Cumberland County Emergency Communications District of Cumberland County, Tennessee's basic financial statements and have issued our report thereon dated November 1, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cumberland County Emergency Communications District of Cumberland County, Tennessee'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 Cumberland County Emergency Communications District of Cumberland County, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of Cumberland County Emergency Communications District of Cumberland County, Tennessee'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 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 Cumberland County Emergency Communications District of Cumberland County, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit,

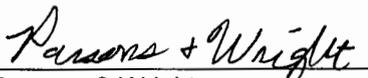
and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings, recommendations, and questioned costs as items Finding 11-01 and Finding 13-01.

### **Cumberland County Emergency Communications District of Cumberland County, Tennessee's Responses to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Parsons & Wright  
Certified Public Accountants  
Kingston, Tennessee

November 1, 2013

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT OF CUMBERLAND COUNTY, TENNESSEE  
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND RESPONSES  
JUNE 30, 2013**

**CURRENT YEAR FINDING**

**Finding 13-01 –Failure to Withhold and Pay Payroll Taxes for Severance Payment**

The District was ordered by the court system to pay severance compensation of \$35,704. The District paid out the full amount of the compensation without withholding applicable payroll taxes. Additionally, the District failed to include the severance pay on the quarterly Form 941 and pay the employer portion of the taxes.

Recommendation:

Management should include all wages and compensation on their quarterly Form 941 and pay all applicable payroll taxes.

Management's Response:

We will include the compensation on our next quarterly Form 941 and pay the applicable payroll taxes.

**PRIOR YEAR FINDING - UNRESOLVED**

**Finding 11-01 – Actual Amounts Exceed Budgeted Amounts**

At the line-item level certain actual amounts exceed the budgeted amounts.

Tennessee Code Annotated, Section 7-86-120, states that no emergency communications district may spend monies, regardless of their source, except in accordance with an adopted budget.

Recommendation:

Management should periodically review actual to budgeted reports to ascertain that expenditures are being made within the budgeted amounts. The budget should be amended before additional expenditures are made in excess of the budgeted amounts.

Management's Response:

We will monitor budgeted amounts more closely and will amend the budget as the need arises.

Current Status:

This is a repeat finding by the District that has not been corrected. We will continue to monitor.