

**MARION COUNTY 9-1-1 EMERGENCY
COMMUNICATIONS DISTRICT**

Jasper, Tennessee

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL DATA**

Year Ended June 30, 2013

JOHNSON, HICKEY & MURCHISON, P.C.
Certified Public Accountants
Chattanooga, Tennessee

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INTRODUCTORY INFORMATION

**MARION COUNTY 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF MANAGEMENT AND BOARD MEMBERS
JUNE 30, 2013**

MANAGEMENT:

Jerry Don Case

Executive Director

BOARD MEMBERS:

Ronnie Burnett

Chairman

Steve Lamb

Secretary

Louise Powell

Treasurer

Freddie Cook

Director

Howard Cotter

Director

William Harris

Director

Lester Roberts

Director

Ray Stephens

Director

Ryan Meeks

Director

MANAGEMENT'S DISCUSSION AND ANALYSIS

My discussion and analysis of Marion County 911 Emergency Communication District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. This should be read in conjunction with the District's financial statements, which begin on page 10.

USING THIS ANNUAL REPORT

This annual report consists of the following financial statements: the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows. These statements provide information about the activities of the District as a whole and present an overview of the District's finances.

THE STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

It is always worthwhile to review an entity's financial performance over the year to determine how successful the entity was at meeting their financial objectives. The District accounts for its financial activities where determination of income (increase in net position) or loss (decrease in net position) is necessary or useful for sound financial administration. The statements are prepared on the accrual basis of accounting which recognizes revenues when earned and expenses when incurred. The statement of position shows the assets that the District owns and the liabilities (debts) that the District owes. The information contained in the statement of revenues, expenses, and changes in net position is used as a "report card" to determine if the District has been successful at meeting its financial objectives.

Net position and changes in net position for the past two years are summarized as follows:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current and other assets	\$ 456,262	\$ 510,259
Capital assets	<u>899,111</u>	<u>684,577</u>
Total assets	1,355,373	1,194,836
Current liabilities	<u>7,594</u>	<u>5,474</u>
Net position	<u>\$1,347,779</u>	<u>\$1,189,362</u>
Summary of net position:		
Invested in capital assets	\$ 899,111	\$ 684,577
Unrestricted	<u>448,668</u>	<u>504,785</u>
Total net position	<u>\$1,347,779</u>	<u>\$1,189,362</u>

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Operating revenues	\$ 312,316	\$ 347,331
Operating expenses	<u>296,670</u>	<u>216,199</u>
Operating income	15,646	131,132
Non-operating revenue	<u>142,813</u>	<u>32,190</u>
Changes in net position	158,459	163,322
Beginning net position	<u>1,189,320</u>	<u>1,026,040</u>
Ending net position	<u>\$1,347,779</u>	<u>\$1,189,362</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The fiscal year ending June 30, 2013 proved to be a financially sound year for the District. Net position increased \$158,459 over the prior year. This increase is a result of nonoperating revenues and grants received from the Tennessee Emergency Communications Board (TECB) for upgrades and reimbursements.

The District's operating revenues were down by \$35,015 due to the continued decline in telephone service charges and changes in operational funding from the TECB. Revenues from landline telephone service charges continue to decrease as more people are relying exclusively on their cell phones as a primary means of communication. Revenues from landlines decreased an additional \$11,255 while the District's shared portion of wireless charges increased \$2,647. Operational funding from the state decreased \$26,407 from the prior fiscal year.

Operating expenses increased by \$80,471. This increase resulted primarily from the relocation of the E-911 operations center. Overall, contract services decreased by \$33,228. Salaries and benefit expenses increased by \$1,129, or 1.49%; supplies and materials increased by \$14,108; and other operating expenses increased by \$3,762. Depreciation and amortization increased \$28,244 due to the purchase of new equipment and the new operations service center which opened in August 2012.

During the fiscal year ending June 30, 2013, the District received \$140,393 for grants and reimbursements. This was an increase of \$118,393 from last fiscal year. Several different types of grants were received in this fiscal year. A reimbursement grant of \$55,443 was provided by TECB for consoles and equipment in the new call center. The District also received a one-time payment for \$33,931 for the Next Generation 911 equipment purchases. The District usually receives \$10,000 for upgrades or training on the Geographic Information Systems (GIS). In this past fiscal year, the TECB provided an additional \$29,019 for replacement and upgrades to Tennessee Information Public Safety (TIPS) on GIS.

THE DISTRICT'S NET POSITION

The District continues to maintain a significant net worth (total net position) which exceeds \$1,347,000 at June 30, 2013. Net assets consisted of net investment in capital assets totaling \$899,111 and unrestricted net position totaling \$448,668.

BUDGETARY HIGHLIGHTS

The original budget for the District was amended to reflect the actual results of revenues and expenses that occurred during the year.

Actual revenues of \$455,129 exceeded budgeted revenues by \$38,764. The District saw that budgeted revenues exceeded that which was received for emergency telephone service charges by \$667. The state shared wireless charges exceeded budget by \$2,133, operational funding from the State of Tennessee was \$2,860 over budget and interest income was over budget by \$45. The District had budgeted \$106,400 for TECB grants and reimbursements; actual grants and reimbursements exceed the budgetary amount by amount \$34,000. A total of \$140,393 was received.

Actual expenses for the year were under budget by almost \$19,000. Total cost of salaries and benefits for the District were under budget by \$1,790, contracted services were under budget by \$7,618, supplies and materials were under budget by \$1,441, other charges were under budget by \$3,025 and depreciation and amortization expense was under budget by \$5,125.

CAPITAL ASSETS

At June 30, 2013 the District had \$899,111 invested in capital assets, predominantly in telecommunications equipment. The District has capital assets totaling \$1,496,658; however, \$591,347 has been expensed through the annual provision for depreciation. The net amount represents an increase of \$214,575 from the prior year. The increase is directly related to the construction of a new operations building. This facility was completed in July 2012. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND PLANNING FOR FUTURE NEEDS

The District is continually discussing ways to improve its contingency plans. During the fall of 2011, the mobile 911 unit was placed into operation. The unit may be used for a center of operations for festivals, fairs, natural disasters or other emergency situations. The District is also excited to physically consolidate its operations with the dispatching operations of the Marion County Sheriff's Department in a new building which opened in August 2012. The new permanent operations center provides a comfortable, efficient work environment with ample room for expansion in the future.

Jerry Don Case
Executive Director



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Marion County 9-1-1 Emergency Communications District:

Report on the Financial Statements

We have audited the accompanying financial statements of Marion County 9-1-1 Emergency Communications District, a component unit of Marion County, Tennessee, as of June 30, 2013, which comprise the statement of net position, the related statement of revenue, expenses and change in net position and statement of cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' 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 *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 auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the 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 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 in the first paragraph present fairly, in all material respects, the net position of Marion County 9-1-1 Emergency Communications District as of June 30, 2013, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 6 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Marion County 9-1-1 Emergency Communications District's financial statements. The accompanying information listed in the table of contents as other supplementary information is presented for additional analysis and is not a required part of the financial statements. The schedule of budget to actual is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013, on our consideration of Marion County 9-1-1 Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Johnson, Niskey & Meucham, P.C.

November 22, 2013

FINANCIAL STATEMENTS

**MARION COUNTY 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013**

ASSETS

CURRENT ASSETS:

Cash	\$	132,510
Certificates of deposit		309,559
Accounts receivable, state wireless revenue		11,804
Interest receivable		655
Prepaid expenses		<u>1,734</u>
 Total current assets		 <u>456,262</u>

CAPITAL ASSETS:

Land		6,200
Furniture and fixtures		78,289
Office equipment		66,030
Communications equipment		1,005,713
Vehicles		46,171
Buildings and improvements		<u>288,055</u>
		1,490,458
Less accumulated depreciation		<u>591,347</u>
 Capital assets, net		 <u>899,111</u>
 Total assets		 <u><u>\$ 1,355,373</u></u>

(The accompanying notes are an integral part of these statements.)

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Accounts payable	\$ 4,104
Payroll taxes withheld and accrued	1,273
Accrued retirement	<u>2,217</u>
 Total liabilities	 <u>7,594</u>

NET POSITION:

Net investment in capital assets	899,111
Unrestricted	<u>448,668</u>
 Total net assets	 <u>1,347,779</u>

Total liabilities and net position \$ 1,355,373

(The accompanying notes are an integral part of these statements.)

**MARION COUNTY 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

REVENUES:

Emergency telephone service charges	\$ 100,813
Tennessee Emergency Communications Board - Shared wireless charge	68,643
Operational funding	<u>142,860</u>
	<u>312,316</u>

EXPENSES:

Salaries and benefits	76,851
Contracted services	76,237
Supplies and materials	19,288
Other expenses	15,419
Depreciation and amortization	<u>108,875</u>
	<u>296,670</u>

OPERATING INCOME 15,646

NONOPERATING REVENUES:

Interest income	2,020
Tennessee Emergency Communications Board - Grants and reimbursements	140,393
Other income	<u>400</u>

CHANGE IN NET POSITION 158,459

NET POSITION:

Beginning	<u>1,189,320</u>
Ending	<u><u>\$ 1,347,779</u></u>

(The accompanying notes are an integral part of these statements.)

**MARION COUNTY 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts for emergency communication services	\$ 186,984
Receipts for operational funding	142,860
Payments to or for employees	(75,194)
Payments for goods and services	<u>(111,230)</u>

Net cash provided by operating activities	<u>143,420</u>
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**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES:**

Purchase of capital assets	(323,450)
Capital contribution	400
State capital grants	<u>140,393</u>

Net cash used by capital and related financing activities	<u>(182,657)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	2,880
Net change in certificates of deposit	<u>11,827</u>

Net cash provided by investing activities	<u>14,707</u>
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NET DECREASE IN CASH	(24,530)
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CASH:

Beginning	<u>157,040</u>
Ending	<u><u>\$ 132,510</u></u>

(The accompanying notes are an integral part of these statements.)

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income	\$ 15,646
Adjustments to reconcile operating income to net cash provided by operating activities -	
Depreciation and amortization	108,875
(Increase) decrease in operating assets:	
Accounts receivable	17,528
Prepaid expenses	(749)
Increase (decrease) in operating liabilities:	
Accounts payable	863
Payroll withholdings and accruals	1,657
Other	<u>(400)</u>
 Net cash provided by operating activities	 <u>\$ 143,420</u>

(The accompanying notes are an integral part of these statements.)

**MARION COUNTY 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization -

Marion County 9-1-1 Emergency Communications District is a governmental entity organized pursuant to Chapter 867 of the 1984 Tennessee Public Acts ("The Emergency Communications District Law"), which was enacted to establish local emergency telephone service and to provide for the funding of such services.

Financial Reporting Entity -

The District is a component unit of Marion County, Tennessee. The Marion County Board of Commissioners appoints the District's Board of Directors, may appropriate funds for the operation and maintenance of the District, and must approve long-term debt issued by the District.

Basis of Accounting -

The District is a governmental unit, subject to accounting directives issued by the Governmental Accounting Standards Board (GASB), and anticipates recovering the cost of its services in a manner similar to a private business enterprise. Therefore, the District uses the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred. Operating revenues are those that result from the activities of the District, including telephone service charges and state allocations and operational funding. Revenue from other sources is considered nonoperating.

Estimates -

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash -

For purposes of these financial statements, cash includes cash in banks and certificates of deposit with an original maturity date of 90 days or less.

**MARION COUNTY 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accounts Receivable -

Accounts receivable for telephone service charges and other is reported at the outstanding principal amount. All recorded amounts are considered to be collectible; therefore no allowance for uncollectibles is recorded.

Capital Assets -

The District capitalizes significant purchases of capital assets, which are recorded at cost. Depreciation is provided over the estimated useful lives of the individual assets by the straight-line method. Depreciation and amortization expense for the year ended June 30, 2013, was \$108,875.

Deferred outflows/inflows of resources -

During the current year, the District adopted the provisions of GASB Statement Number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. Under this statement, GASB has defined deferred outflows of resources and deferred inflows of resources as follows:

Deferred outflows of resources - a consumption of net assets by the District that is applicable to a future reporting period.

Deferred inflows of resources - an acquisition of net assets by the District that is applicable to a future reporting period.

As of June 30, 2013, the District did not have any deferred outflows of resources or any deferred inflows of resources. This statement had no significant impact on the District.

(2) BUDGETARY CONTROL:

The District's Board approves an annual budget based upon anticipated revenues and estimated operating expenses. In accordance with the level of control established by the Tennessee Comptroller of the Treasury, operating expenses may not exceed the amount budgeted in each line item. Budgeted expenses may be amended, as needed, to meet changing needs.

**MARION COUNTY 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

(3) COMPENSATED ABSENCES:

The District has only one employee whose accrued vacation must be taken by the last day of the fiscal year; therefore, there is no unused vacation time available at June 30, 2013. The employee is provided 96 hours of annual sick time, which may be accumulated up to 90 days; because unused sick time is nonvesting and is not paid upon termination, no liability is recorded.

(4) CHANGES IN CAPITAL ASSETS:

Changes in capital assets for the year ended June 30, 2013, are as follows -

	<u>Beginning</u>	<u>Additions</u>	<u>Reclasses & Retirements</u>	<u>Ending</u>
Non-depreciable Assets:				
Land	\$ 6,200	\$ -	\$ -	\$ 6,200
Projects in process	269,759	5,721	(275,480)	-
	<u>275,959</u>	<u>5,721</u>	<u>(275,480)</u>	<u>6,200</u>
Depreciable Assets:				
Furniture and fixtures	10,046	60,929	7,314	78,289
Office equipment	18,176	47,694	160	66,030
Vehicles	46,171	-	-	46,171
Communications equipment	812,961	192,296	456	1,005,713
Building and improvements	3,695	16,810	267,550	288,055
	<u>1,167,008</u>	<u>323,450</u>	<u>-</u>	<u>1,490,458</u>
Accumulated depreciation:				
Furniture and fixtures	8,245	6,742	-	14,987
Office equipment	12,675	8,127	-	20,802
Vehicles	21,333	4,761	-	26,094
Communications equipment	440,075	81,682	-	521,757
Building and improvements	144	7,563	-	7,707
	<u>482,472</u>	<u>108,875</u>	<u>-</u>	<u>591,347</u>
Net capital assets	<u>\$ 684,536</u>	<u>\$ 214,575</u>	<u>\$ -</u>	<u>\$ 899,111</u>

**MARION COUNTY 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

(5) RETIREMENT PLAN:

The District provides a defined contribution money purchase pension plan for all full-time employees who have one year of continuous service. No employee contributions are required. The District contributes 3% of eligible compensation, subject to amendment to the plan as approved by the District's Board. The "6-year graded" vesting schedule is used. Retirement expense included in salaries and benefits was \$1,586. Plan assets are maintained by an outside trustee. Each employee directs the investments of his individual account.

(6) COMMITMENT FOR PROVIDER SERVICES:

For the year ending June 30, 2013, AT&T was the District's provider for automated number ID, number location and routing equipment. A previous five year agreement ended in April, 2009, and is continuing on a month to month basis. For the year ended June 30, 2013, the expense related to this agreement was \$13,553.

There are no future commitments as of the date this report is available for release.

(7) OPERATING LEASES:

The District leases antenna and transmittal space for \$250 per month under a 20 year agreement expiring in July, 2013. The agreement provides for annual, negotiated increases, based on increases in the lessor's costs of operating and maintaining the rental site. Rent expense was \$312.92 for July, 2012 through June 30, 2013, for a total cost of \$3,755.

Future lease commitments, based on the amount currently paid, are as follows -

For the year ending June 30, 2014	\$ <u>335</u>
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The District leases office equipment under a 48 month lease expiring October, 2013, with monthly rent of \$99 per month plus some additional charges for excess usage. Rent expense for the year was \$2,278. Future commitments are \$396 due in the year ending June 30, 2014.

**MARION COUNTY 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

(8) CASH AND INVESTMENTS:

The District reports its cash and investments under the provisions of governmental auditing standards, which are designed to provide improved reporting of deposit and investment risks.

At June 30, 2013, the District's cash and investments consist of the following -

	<u>Weighted Average Maturity (Years)</u>	<u>Cost Basis</u>
Cash in demand deposit accounts	0.00	\$ 132,510
Certificates of deposit	<u>0.60</u>	<u>309,559</u>
Total	<u>0.42</u>	<u>\$ 442,069</u>

Interest Rate Risk - As a means of limiting its exposure to losses resulting from rising interest rates, the District's usual policy is to invest in certificates of three years or less. The exposure to interest rate changes is presented using the weighted average maturity method. Its policy is to limit exposure to interest rate risk by requiring sufficient liquidity in the investment portfolio. The District's investments experienced no significant fluctuations in fair value during the year.

Custodial Credit Risk - The District's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by federal deposit insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by Federal Reserve Banks acting as third party agents. State statutes also authorize the types of investments in which the District may participate. The District limits its investments to certificates of deposit with local banks.

**MARION COUNTY 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

(8) CASH AND INVESTMENTS (Continued):

Credit Risk - The District's policies are designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws.

At June 30, 2013, investments in certificates of deposit consist of the following -

<u>Financial Institution</u>	<u>Type of Instrument</u>	<u>Interest</u>	<u>Maturity Date</u>	<u>Amount</u>
First Volunteer Bank	Certificate	0.35%	February 8, 2014	\$ 50,000
First Jackson Bank	Certificate	0.60%	May 17, 2014	60,450
First Jackson Bank	Certificate	0.60%	May 24, 2014	40,000
Peoples State Bank	Certificate	0.75%	February 26, 2014	55,899
Citizens Tri-County Bank	Certificate	0.50%	October 6, 2013	<u>103,210</u>
				<u>\$ 309,559</u>

Subsequent to June 30, 2013, the certificate maturing on October 6, 2013, was invested in a new certificate.

(9) 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 is insured, subject to specified limits, for risks of these types of losses, including workers' compensation, general liability, personal property, and errors and omissions, through the Tennessee Municipal League Risk Management Pool. Premiums are based on the District's individual claims history, as well as the claims history of the entire pool.

There have been no settlements in excess of insurance coverage during the three most recent fiscal years.

(10) SUBSEQUENT EVENTS:

Management has evaluated subsequent events through November 22, 2013, the date which these financial statements were available for issue.

SUPPLEMENTARY INFORMATION

**MARION COUNTY 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget To Actual Variance</u>
Emergency telephone service charges	\$ 109,980	\$ 101,480	\$ 100,813	\$ (667)
State Emergency Communications Board -				
Shared wireless charge	64,000	66,510	68,643	2,133
Operational funding	120,000	140,000	142,860	2,860
State grants	10,000	106,400	140,393	33,993
Interest income	1,500	1,975	2,020	45
Other income	-	-	400	400
	<u>305,480</u>	<u>416,365</u>	<u>455,129</u>	<u>38,764</u>
Salaries and Benefits -				
Salaries	53,790	54,290	54,190	100
Payroll taxes	4,142	4,267	4,173	94
Group insurance	18,294	18,419	16,902	1,517
Retirement	1,624	1,664	1,586	78
	<u>77,850</u>	<u>78,640</u>	<u>76,851</u>	<u>1,789</u>
Contracted Services -				
Audit services	5,100	5,100	4,900	200
Accounting services	4,800	5,400	5,380	20
Administrative fees	-	30	23	7
Private agency contracted services	780	2,680	2,016	664
911 service provider fees	15,000	15,000	13,553	1,447
Legal services	5,040	5,040	4,159	881
Maintenance agreements	13,020	24,920	24,888	32
Communications equipment rental	3,576	3,876	3,755	121
Facility relocation expense	10,000	12,700	12,666	34
Pest control	360	360	235	125
Office equipment rental	1,320	2,750	2,278	472
Maintenance and repairs -				
Communication equipment	3,000	3,000	240	2,760
Vehicle	600	600	332	268
Fuel - vehicle	2,400	2,400	1,812	588
	<u>64,996</u>	<u>83,856</u>	<u>76,237</u>	<u>7,619</u>

**MARION COUNTY 9-1-1
EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget To Actual Variance</u>
Supplies and Materials -				
Office supplies	\$ 1,200	\$ 5,000	\$ 4,676	\$ 324
Custodial supplies	960	2,160	1,862	298
Postage	150	325	234	91
Utilities	7,500	8,000	7,546	454
Uniforms and shirts	240	240	200	40
Telephone	<u>3,600</u>	<u>5,000</u>	<u>4,770</u>	<u>230</u>
	<u>13,650</u>	<u>20,725</u>	<u>19,288</u>	<u>1,437</u>
Other -				
Dues and memberships	288	643	640	3
Employee testing	270	270	-	270
Insurance	9,792	4,992	4,572	420
Legal notices	240	290	181	109
Premium on surety bonds	576	626	589	37
Training	840	2,140	2,030	110
Travel	2,640	3,300	3,290	10
Miscellaneous	<u>5,460</u>	<u>6,185</u>	<u>4,117</u>	<u>2,068</u>
	<u>20,106</u>	<u>18,446</u>	<u>15,419</u>	<u>3,027</u>
Depreciation and amortization	<u>96,000</u>	<u>114,000</u>	<u>108,875</u>	<u>5,125</u>
Total expenses	<u>272,602</u>	<u>315,667</u>	<u>296,670</u>	<u>18,997</u>
	<u>\$ 32,878</u>	<u>\$ 100,698</u>	<u>\$ 158,459</u>	<u>\$ 57,761</u>

INTERNAL CONTROL AND COMPLIANCE SECTION



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 of

Marion County 9-1-1 Emergency Communications District:

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 Marion County 9-1-1 Emergency Communications District, a component unit of Marion County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Marion County 9-1-1 Emergency Communications District's basic financial statements, and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion County 9-1-1 Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Johnson, Niskey & Menckem, P.C.

November 22, 2013