

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT**

**JUNE 30, 2013**

**AUDITED FINANCIAL STATEMENTS**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Marshall County Emergency Communication District  
Lewisburg, Tennessee

**Report on the Financial Statements**

We have audited the accompanying financial statements of Marshall County Emergency Communication District, a component of Marshall County, Tennessee as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the component's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the component's activity of Marshall County Emergency Communication District, a component of Marshall County, Tennessee as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles 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.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 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.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Marshall County Emergency Communication District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion is fairly presented in all material respects in relation to the financial statements taken as a whole.



Michael D. Sullivan, CPA  
Lewisburg, Tennessee  
January 24, 2014

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

Our discussion and analysis of the Marshall County Emergency Communication District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the District's audited financial statements.

**FINANCIAL HIGHLIGHTS**

The District's ongoing sources of revenue are telephone service charges and interest. This revenue totaled approximately \$560,807 in 2013 representing a 5.2% increase over 2012. Total expenses were approximately \$465,951 for the year, which was a 33.33% increase over 2012. The district continued to upgrade its communications equipment with \$50,217 spent on equipment and software purchases in 2013. Additional equipment is being leased at a cost, in 2013, of \$60,511.

**OVERVIEW OF FINANCIAL STATEMENTS**

The District's financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, and 3) a supplemental section that presents detailed summaries and schedules of selected financial data. Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the supplemental information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the financial section.

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance.

The basic financial statements provide financial information about the District's operation presented in the same format as a commercial enterprise. These statements report information about the District using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the assets and liabilities, both financial and capital, and short-term and long-term are included. Likewise, all revenues earned and expenses incurred during the year, regardless of when cash is received or paid, are reported.

The basic financial statements of the District include a statement of net assets, a statement of revenues, expenses, and changes in net assets, a statement of cash flows, and notes to the financial statements, which are described as follows:

- The statement of net assets presents the financial position of the District on a full accrual, historical cost basis. This statement provides information about the nature and amount of resources and obligations at year-end.

- The statement of revenues, expenses, and changes in net assets presents the results of the business activities over the course of the fiscal year and information as to how the fund equity changed during the year.
- The statement of cash flows presents changes in the cash and cash equivalents, resulting from operations, capital and related financing activities, investing activities, and non-capital financing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.
- The notes to financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The supplementary information presented by the District includes comparisons of budget to actual revenue and expenses and schedules required to be presented or considered useful to the readers of the financial statements.

## FINANCIAL ANALYSIS

The District's net assets were \$2,016,027 at June 30, 2013. Of this amount \$493,273 was invested in capital assets and \$1,522,754 was unrestricted.

Table 1  
Condensed Summary of Net Position  
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Current asset	\$1,522,834	\$1,328,794
Capital assets, net	<u>493,273</u>	<u>596,885</u>
Total Assets	<u>\$2,016,107</u>	<u>\$1,925,679</u>
Current liabilities	\$ 80	\$ 11,261
Long-term liabilities	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 80</u>	<u>\$ 11,261</u>
Net Position		
Investment in capital assets	\$ 493,273	\$ 596,885
Unrestricted	<u>1,522,754</u>	<u>1,317,533</u>
Total Net Position	<u>2,016,027</u>	<u>1,914,418</u>
Total Liabilities and Net Position	<u>\$2,016,107</u>	<u>\$1,925,679</u>

The \$194,040 increase in current assets is primarily attributable to a \$185,371 increase in cash, a \$3,696 increase in investments, a \$374 decrease in interest receivable, a \$6,580 decrease in accounts receivable, and a \$11,927 increase in prepaid assets. The net decrease in capital assets of \$103,612 was due to assets purchased during the year less depreciation taken for the year.

The \$11,181 decrease in liabilities is due to payroll taxes withheld being paid at the end of the fiscal year and small accounts payable at year-end.

Table 2  
Condensed Summary of Changes in Net Position  
Year ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues:		
Operating revenues		
Telephone service charges	\$ 560,807	\$ 532,682
Non-operating revenues		
Interest earnings	6,753	12,016
Capital grant	0	122,698
Other	<u>0</u>	<u>0</u>
Total Revenues	<u>567,560</u>	<u>667,396</u>
Operating Expenses:		
Telephone	52,294	32,389
Administrative salary and payroll taxes	50,210	17,918
Dispatcher	0	0
Lease/rental	62,511	85,988
Professional services	13,450	13,450
Other	133,657	81,769
Depreciation	<u>153,829</u>	<u>117,827</u>
Total Expenses	<u>465,951</u>	<u>349,341</u>
Increase in Net Position	<u>\$ 101,609</u>	<u>\$ 318,055</u>

Operating revenues are derived primarily from phone service providers based on fixed fees on their customers. As the fees have remained constant for several years this is generally a stable revenue source. This year increased due to an increase in the amount received from the State Emergency Communications Board.

Expenses increased by a net \$120,610 which was due to increases in salary and payroll taxes, telephone expense, professional services, other expenses and depreciation and decreases in lease/rental expense.

### **BUDGETARY HIGHLIGHTS**

The District adopts annual operating and capital budgets outlining the estimated expenditures for programs and projects authorized by the District's Board on a cash basis. There were revisions made to the 2013 budget as the need arose for adjustments.

For the year 2013 and 2012, the District's operating budget was amended to equal the actual operating expenses at year-end.

For 2013, capital expenditures were less than the adopted budget before amendments.

## CAPITAL ASSETS AND RELATED FUNDING

### Capital Assets

At June 30, 2013 the District had \$493,273 invested in office and communications equipment, and a tower. This amount represents a net decrease (considering additions, deletions and depreciation) of \$103,612 from last year.

	Capital Assets at Year-end	
	<u>2013</u>	<u>2012</u>
Communications equipment and tower	\$1,564,946	\$1,514,729
Accumulated depreciation	<u>(1,071,673)</u>	<u>(917,844)</u>
Total	<u>\$ 493,273</u>	<u>\$ 596,885</u>

This year's additions of \$50,217 represented additions of hardware and office equipment additions.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As noted earlier, the District's primary source of revenue is telephone service fees, which were last increased in 2005. That increase in service fee rates was in effect through June 2013.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide citizens and ratepayers a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or wish to request additional financial information, contact Linda Haislip, Administrative Assistant, at the Marshall County Emergency Communication district, P O Box 2786, Lewisburg, TN 37091, telephone number (931) 359-9911.

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
 PROPRIETARY FUND TYPE  
 STATEMENT OF NET POSITION  
 JUNE 30, 2013

ASSETS

Current Assets

Cash and cash equivalents	\$ 869,112.98
Investments	559,287.51
Accrued interest receivable	696.04
Accounts receivable	30,808.37
Due from State Emergency Comm. Board	40,523.79
Prepaid expenses	22,405.58
Total Current Assets	1,522,834.27

Capital Assets

Furniture and fixtures	63,859.65
Communications equipment	1,131,682.86
Office equipment	8,002.72
Other fixed assets	361,400.53
Total Capital Assets	1,564,945.76
Accumulated Depreciation	(1,071,672.63)
Capital Assets, net	493,273.13

TOTAL ASSETS

\$ 2,016,107.40

LIABILITIES and NET POSITION

Current Liabilities

Accounts payable	\$ 79.90
Total Current Liabilities	79.90

Net Position

Investment in capital assets	493,273.13
Unrestricted	1,522,754.37
Total Net Position	2,016,027.50

TOTAL LIABILITIES and NET POSITION

\$ 2,016,107.40

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
 PROPRIETARY FUND TYPE  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2013

Operating Revenues		
Emergency telephone service charges		\$ 210,580.84
State Emergency Comm. Board-shared wireless charge		75,252.68
State Emergency Comm. Board-operational funding		235,749.63
State Emergency Comm. Board-Other		<u>39,224.00</u>
Total Operating Revenues		<u>560,807.15</u>
Operating Expenses		
Salaries and Wages		
ADDR coordinator	\$ 44,083.18	
Temporary Help	<u>2,530.26</u>	46,613.44
Employee Benefits		
Social Security	2,890.05	
Medicare	675.89	
Unemployment insurance	<u>31.23</u>	3,597.17
Contracted Services		
Advertising	10.73	
Audit services	4,000.00	
Legal services	9,450.00	
Lease/rental-communications equipment	60,511.36	
Lease/rental-buildings and facilities	2,000.00	
Maintenance and repairs-Buildings and equipment	<u>97,945.42</u>	173,917.51
Supplies and Materials		
Office supplies	628.99	
Postage	282.17	
Utilities	1,578.75	
Telephone	<u>52,294.04</u>	54,783.95
Other Charges		
Board meeting expense	315.69	
Dues and memberships	675.00	
Insurance-liability	5,767.00	
Premiums on surety bonds	1,071.00	
Training expenses	9,640.60	
Travel expenses	15,731.40	
Small equipment purchases	<u>9.88</u>	33,210.57
Depreciation		<u>153,828.51</u>
Total Operating Expenses		<u>465,951.15</u>
Operating Income		94,856.00
Non-operating Income & Expenses		
Interest income		6,753.32
Equipment Grant		<u>-</u>
Increase in Net Position		101,609.32
Net Position - beginning of year		1,914,418.18
Net Position - end of year		<u>\$ 2,016,027.50</u>

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
 PROPRIETARY FUND TYPE  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Cash received for emergency telephone service charges	\$ 218,022.29
Cash received from State Emergency Comm. Board	349,364.26
Cash payments to employees	(50,726.80)
Cash payments for goods and services	(284,503.78)
Net cash provided (used) by operating activities	232,155.97
Cash flows from capital and related financing activities:	
Equipment grant proceeds	-
Acquisition of equipment	(50,216.75)
Net cash provided (used) by capital and related financing activities	(50,216.75)
Cash flows from investing activities:	
Increase in investment in CD	(3,321.81)
Cash received from interest income	6,753.32
Net cash provided (used) by investing activities	3,431.51
Cash flows from non-capital financing activities:	
Cash received from miscellaneous income	-
Net cash provided (used) by non-capital financing activities	-
Net increase (decrease) in cash	185,370.73
Cash and Cash equivalents at July 1, 2012	683,742.25
Cash and cash equivalents at June 30, 2013	\$ 869,112.98

Reconciliation of Operating Income to Net Cash Flow from Operating Activities  
 for the Year Ended June 30, 2013

Operating Income	\$ 94,856.00
Adjustments to reconcile:	
Depreciation	153,828.51
(Increase) decrease in accounts receivable	6,579.40
(Increase) decrease in prepaid expenses	(11,926.65)
Increase (decrease) in accounts payable	(9,945.10)
Increase (decrease) in payroll taxes payable	(1,236.19)
Net Cash Provided (Used) by Operating Activities	\$ 232,155.97

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**1. ORGANIZATION AND REPORTING ENTITY:**

The Marshall County Emergency Communication District (the District) was organized under the Tennessee Emergency Communication District Law for the purpose of providing an emergency number to shorten the time required for residents of Marshall County, Tennessee to request emergency services. The district is governed by a board of directors appointed by the Board of Commissioners of Marshall County. The District is a component unit of Marshall County, but operates as a stand-alone operation. The District has to present its budget to the County Clerk for the County Commissioners, but the Commissioners do not approve the budget. The District must obtain County Commission approval before the issuance of most debt and the County Commission has the ability to adjust the District's service charges.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of Accounting** – The System's financial statements have been presented using the economic resources approach and the cash basis of accounting.

**Equipment** – The District's equipment is stated at cost and is depreciated on the straight-line method using an estimated useful life of five to ten years. Assets with a cost of \$2,500 or more are capitalized. Maintenance and repairs are charged to expenses as incurred.

**Cash and Cash Equivalents** – For the purpose of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less to be cash or cash equivalents.

**Operating and Non-operating revenues** – Operating revenues are emergency telephone charges. Non-operating revenues include interest income, grant income and miscellaneous income.

**3. CASH AND CERTIFICATES OF DEPOSIT:**

All deposits with financial institutions must be secured by either FDIC deposit insurance or the depository bank must collateralize the deposits in excess of FDIC coverage. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the purposes of credit risk disclosure.

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

The District's carrying amount of cash and certificates of deposit was \$1,428,401 at June 30, 2013, while the banks' reported balances were \$1,436,127 at June 30, 2013. Accounts are covered by either FDIC or NCUA up to \$250,000 at each institution and any amounts in excess of \$250,000 were covered by the state collateral pool. The uninsured balance as of June 30, 2013, was \$ 0.

**4. INVESTMENTS:**

The District is authorized to make direct investments in bonds, notes, or treasury bills of the U. S. Government and obligations guaranteed by the U. S. Government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. Longer investments may be made if various restrictions set out in state law are followed.

Investments at June 30, 2013 consist of certificates of deposit with maturities ranging from one year to two years. These investments are reported at fair value.

**5. CREDIT RISK:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments, as previously explained. The district has no investment policy that would further limit its investment choices. The District chooses to limit its investments to certificates of deposit in banks covered by FDIC insurance, NCUA insurance or which participate in the bank collateral pool.

**6. PREPAID LEASE:**

The District entered into an agreement with the City of Lewisburg, Tennessee, on October 10, 1996 for leased space. The agreement is for 20 years and the consideration was \$2,000 per year, which could be paid in advance. The District paid the full \$40,000 in advance. The yearly cost is expensed to occupancy cost. The City will house the 911 equipment and supply dispatchers trained to receive emergency phone calls and transfer those calls to the appropriate agency.

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**7. EQUIPMENT AND LEASEHOLD IMPROVEMENTS:**

The following summarizes changes in equipment and leasehold improvements for the year ended June 30, 2013:

<u>Fixed Assets</u>	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
Communications equipment	\$ 1,084,719	\$ 46,964		\$1,131,683
Furniture and fixtures	71,862			71,862
Tower property	107,530	3,253		110,783
Improvements	4,200			4,200
Stored equipment	<u>246,418</u>			<u>246,418</u>
	<u>1,280,455</u>	<u>50,217</u>		<u>1,564,946</u>
<u>Accumulated Depreciation</u>				
Communications equipment	\$ 523,043	145,561		668,604
Furniture and fixtures	43,494	6,907		50,401
Tower property	104,360	376		104,736
Improvements	1,190	420		1,610
Stored equipment	<u>245,757</u>	<u>565</u>		<u>246,322</u>
	<u>917,844</u>	<u>153,829</u>		<u>1,071,673</u>
 <u>Fixed Assets (net)</u>	 <u>\$ 596,885</u>			 <u>\$ 493,273</u>

**8. ACCOUNTS RECEIVABLE:**

The accounts receivable consists of amounts due from the various telephone companies for emergency telephone surcharges collected prior to year-end and not remitted until after June 30, 2013.

**9. RISK FINANCING AND RELATED INSURANCE ISSUES:**

The District's liability is limited. The board/management is covered by a management liability policy. The district also holds three statutory surety bonds on the Chairman, Secretary/Treasurer, and the Addressing Coordinator/Bookkeeper. The District also carries a commercial package policy to cover property, etc. The District only furnishes equipment to the City or County agencies. Neither the City nor the District assumes any liability for any agency's failure to equip staff or train their agency or personnel. The District operates as a support unit for these agencies. The District experienced no claims for equipment loss in the past year. There has only been one claim for losses in the past nine years.

MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**10. BUDGETS AND BUDGETARY ACCOUNTING:**

An operating budget is legally required to be adopted each year for the purpose of controlling the expenditures on a line item level of control. The budgets are prepared and maintained on the cash basis. Amendments are made when considered necessary. The District adopted a budget at the beginning of the year and made appropriate amendments as needed during the year so that the final budget equaled the actual revenues and expenditures at year –end.

**11. SUBSEQUENT EVENTS:**

There have been no events occurring subsequent to the financial statement date that require disclosure in these statements.

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
 BUDGETARY COMPARISON SCHEDULE (CASH BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2013

	Actual Cash Basis	Budget Cash Basis	Actual Over (Under) Budget
<b>Cash Revenues</b>			
Emergency telephone service charges	\$ 218,022.29	\$ 206,234.00	\$ 11,788.29
TECB - shared wireless charge	74,210.63	74,200.00	10.63
TECB - operational funding	235,929.63	240,429.00	(4,499.37)
Interest income	7,127.07	7,402.18	(275.11)
Other income	-	-	-
TECB - grants and reimbursements	39,224.00	-	39,224.00
Total Cash Basis Revenues	<u>574,513.62</u>	<u>528,265.18</u>	<u>46,248.44</u>
<b>Cash Expenses</b>			
Salaries-full-time/part-time personnel	46,613.44	46,613.59	(0.15)
Social Security	3,284.77	3,285.00	(0.23)
Medicare	785.97	786.00	(0.03)
Unemployment compensation	42.62	42.62	-
Addressing/mapping expense	-	2,000.00	(2,000.00)
Advertising	10.73	11.00	(0.27)
Auditing services	4,000.00	4,000.00	-
Accounting services	-	-	-
Legal services	9,450.00	9,450.00	-
Maintenance agreements	74,186.38	74,187.00	(0.62)
Mapping/data base consultants	-	-	-
Other consultants	18,750.00	18,750.00	-
Lease/rental - Communications equipment	60,823.94	60,823.94	-
Lease/rental - building	-	-	-
Maint/repairs-Communications equipment	28,975.76	28,976.00	(0.24)
Maint/repairs-buildings and facilities	-	-	-
Maint/repairs-office equipment	169.95	170.00	(0.05)
Office supplies	415.44	800.00	(384.56)
Postage	282.17	285.00	(2.83)
Small equipment purchases	15,183.95	15,193.83	(9.88)
Utilities-electric	1,513.20	1,513.20	-
Utilities-gas	65.55	65.55	-
General telephone	52,214.14	52,214.14	-
Bank charges	11.93	11.93	-
Board meeting expense	315.69	315.69	-
Dues and memberships	675.00	675.00	-
Insurance-liability	5,805.00	5,805.00	-
Insurance-vehicles	-	-	-
Premiums on surety bonds	1,071.00	1,071.00	-
Training expenses	9,590.80	9,590.80	-
Travel expenses	15,457.10	15,457.00	0.10
Total Cash Basis Expenses	<u>349,694.53</u>	<u>352,093.29</u>	<u>(2,398.76)</u>
Cash Basis Net Income	<u>\$ 224,819.09</u>	<u>\$ 176,171.89</u>	<u>\$ 48,647.20</u>

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
RECONCILIATION OF CASH BASIS ACTUAL TO GAAP BASIS FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

	Cash Basis	Adjustment		Accrual
<b>Operating Revenues</b>				
Emergency telephone service charges	\$ 218,022.29	\$ (7,441.45)	(1)	\$ 210,580.84
TN Emergency Communications Board	349,364.26	862.05	(1)	350,226.31
Total Operating Revenues	<u>567,386.55</u>	<u>(6,579.40)</u>		<u>560,807.15</u>
<b>Operating Expenses</b>				
Salaries	46,613.44	-		46,613.44
Social security	3,284.77	(394.72)	(2)	2,890.05
Medicare	785.97	(110.08)	(2)	675.89
Unemployment compensation	42.62	(11.39)	(2)	31.23
Addressing/mapping		-		
Advertising	10.73	-		10.73
Auditing services	4,000.00	-		4,000.00
Legal services	9,450.00	-		9,450.00
Other consultants		-		
Maintenance agreements	74,186.38	(12,359.07)	(3)	61,827.31
Lease/rental - communications equipment	60,823.94	(312.58)	(3)	60,511.36
Lease/rental - buildings and facilities	-	2,000.00	(3)	2,000.00
Maint & repairs - communications equipment	28,975.76	(10,236.50)	(3)	18,739.26
Maint & repairs - buildings and office equipment	18,919.95	(1,541.10)	(3)	17,378.85
Supplies and materials	617.06	-		617.06
Postage	282.17	-		282.17
Small equipment purchases	15,193.83	(15,183.95)	(7)	9.88
Depreciation	-	153,828.51	(4)	153,828.51
Telephone and utilities	53,792.89	79.90	(2)	53,872.79
Bank charges	11.93	-		11.93
Board meeting expense	315.69	-		315.69
Dues and memberships	675.00	-		675.00
Insurance - liability	5,805.00	(38.00)	(3)	5,767.00
Insurance - vehicle		-		
Premium on surety bonds	1,071.00	-	(3)	1,071.00
Training expenses	9,590.80	49.80	(3)	9,640.60
Travel expense	15,457.10	274.30	(3)	15,731.40
Total Operating Expenses	<u>349,906.03</u>	<u>116,045.12</u>		<u>465,951.15</u>
<b>Non-Operating Revenues</b>				
Interest income	7,139.90	(386.58)	(6)	6,753.32
Equipment grant	-	-		-
Other	-	-		-
Total Non-Operating Revenues	<u>7,139.90</u>	<u>(386.58)</u>		<u>6,753.32</u>
Total Revenues	574,526.45	(6,965.98)		567,560.47
Total Operating Expenses	349,906.03	116,045.12		465,951.15
Net Asset Increase (Decrease)	<u>\$ 224,620.42</u>	<u>\$ (123,011.10)</u>		<u>\$ 101,609.32</u>

- (1) Difference is due to converting accounts receivable from cash to accrual basis
- (2) Difference is due to year end accrual of accounts payable and payroll taxes
- (3) Difference is due to adjusting prepaid expenses at year end
- (4) Depreciation is not recorded on cash basis books.
- (5) Difference is to reclass expense reimbursement
- (6) Difference is to record interest income and receivable at year end.
- (7) Difference is due to reclassifying capital assets

Reconciliation of Cash Basis To Accrual Basis

Increase in Net Assets - Cash Basis	\$ 224,620.42
Depreciation	(153,828.51)
Decrease in accounts receivable	(6,579.40)
Decrease in accrued interest receivable	(386.58)
Decrease in prepaid expenses	22,163.15
Reclass fixed asset additions	15,183.95
Reclass expense reimbursement	-
Increase in current payables	436.29
Net Reconciliation Cash to Accrual	<u>(123,011.10)</u>
Increase in Net Assets - Accrual Basis	101,609.32
Net Assets - July 1, 2012	1,914,418.18
Net Assets - June 30, 2013	<u>\$ 2,016,027.50</u>

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
 ROSTER OF BOARD MEMBERS  
 FOR THE YEAR ENDED JUNE 30, 2013**

<u>Name and Address</u>	<u>Position</u>	<u>Term</u>
Chris Gilbert H&S Pharmacy of Chapel Hill 4708 Nashville Hwy Chapel Hill, TN 37034	Chairman	January, 2010 -- January, 2014
Robert Hopkins Emergency Management Director 230 College St., Ste 100 Lewisburg, TN 37091	Vice-Chairman	January, 2010 -- January, 2014
John Smiley P O Box 1164 Lewisburg, TN 37091	Secretary/Treasurer	April, 2012 -- April, 2016
Chuck Forbis Lewisburg Chief of Police 101 Water St. Lewisburg, TN 37091	Board Member	February, 2009 -- February, 2017
Norman Dalton Marshall County Sheriff 112 E. Church St. Lewisburg, TN 37091	Board Member	February, 2013 -- February, 2017
Tommy Engram City Manager P O Box 1968 Lewisburg, TN 37091	Board Member	July, 2012 -- March, 2013
Larry Williams Lewisburg Fire Chief 118 Water St. Lewisburg, TN 37091	Board Member	April, 2012 -- April, 2016
Joe Rozell 749 Joyce Ave. Lewisburg, TN 37091	Board Member	April, 2012 -- April, 2016
Bill Reuter EMS Director 728 S. Ellington Pkwy. Lewisburg, TN 37091	Board Member	January, 2010 -- January, 2014

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**LEWISBURG, TN 37091**  
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**(931) 270-6715**

**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**

To the Board of Directors  
Marshall County Emergency Communication District  
Lewisburg, 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 Marshall County Emergency Communication District, a component unit of Marshall County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise Marshall County Emergency Communication District, Marshall County, Tennessee's basic financial statements, and have issued our report thereon dated January 24, 2014.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Michael D. Sullivan, CPA  
Lewisburg, TN  
January 24, 2014

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Marshall County Emergency Communication District.
2. One control deficiency is reported in the 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 finding is considered a significant deficiency.
3. No instances of noncompliance material to the financial statements of Marshall County Emergency Communication District were disclosed during the audit.

**SIGNIFICANT DEFICIENCY**

2012-1 Separation of Duties

Condition: The District has a limited staff (one full-time employee) and consequently is unable to properly segregate the control of funds from record keeping duties thus resulting in a significant deficiency in internal control. This condition has existed in prior years and is expected to continue in the future.

Criteria: Internal controls should be in place, which provide reasonable assurance that funds of the District are properly safeguarded and recorded.

Effect: because of the lack of separation of duties, the possibility exists that funds may not be properly accounted for and safeguarded.

Recommendation: Procedures should be implemented requiring as much separation of duties as possible and involving others from the Board.

**MANAGEMENT RESPONSE**

The Board does understand the impact of this deficiency in internal control and realizes that there is no practical way to remedy the shortage of personnel. Steps have been taken for the Treasurer to review all receipts prior to deposit and to closely monitor the financial condition and results of operations. The Board reviews all transactions at the monthly board meeting and approves all expenditures before they are made if they are not a regular recurring item. Dual signatures are also required on all disbursements. The Board also receives a monthly financial report which details all revenues and expenditures.