

**Clarksville Montgomery County E-911
(A Component Unit)
Financial Statements
June 30, 2013**

**Clarksville Montgomery County E-911
(A Component Unit)
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**Clarksville Montgomery County E-911
(A Component Unit)
Board of Directors**

County Members

Dalton Harrison
John Smith
Elisabeth Henley

Office

Director
Director
Board Chair

Term Expires

November 2015
November 2016
November 2017

City Members

Suzanne Uffelman
Jimmy Winters
Geno Grubbs

Director
Vice Chair
Director

November 2015
November 2016
November 2013

Other Members

Norman Lewis
Jimmie Edwards
Al Ansley
John Stanley

Sheriff-Chairman
911 User Board-Chairman
Police Chief
Clarksville Fire and Rescue

Coterminous
Coterminous
Coterminous
Coterminous

Principal Employees

Betty Miller

Supervisor

Clarksville Montgomery County E-911 Management's Discussion and Analysis

As management of the Clarksville Montgomery County E-911 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this narrative.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$3,127,662 (net assets).
- The District's total net assets decreased by \$114,828, primarily due to a decrease in operating revenue received from emergency telephone service charges, and a net loss recognized on the disposal of donated equipment.
- As of the close of the current fiscal year, the District's enterprise fund reported ending fund balance of \$3,127,662, including a decrease of \$421,083 due to operations. Approximately 47 percent of this total amount, or \$1,484,584, is available for spending at the government's discretion (unrestricted net assets).
- The District's total debt decreased by \$250,000, or 8% during the current fiscal year. The key factor in this decrease was the payment of principal on long-term debt secured by the building.

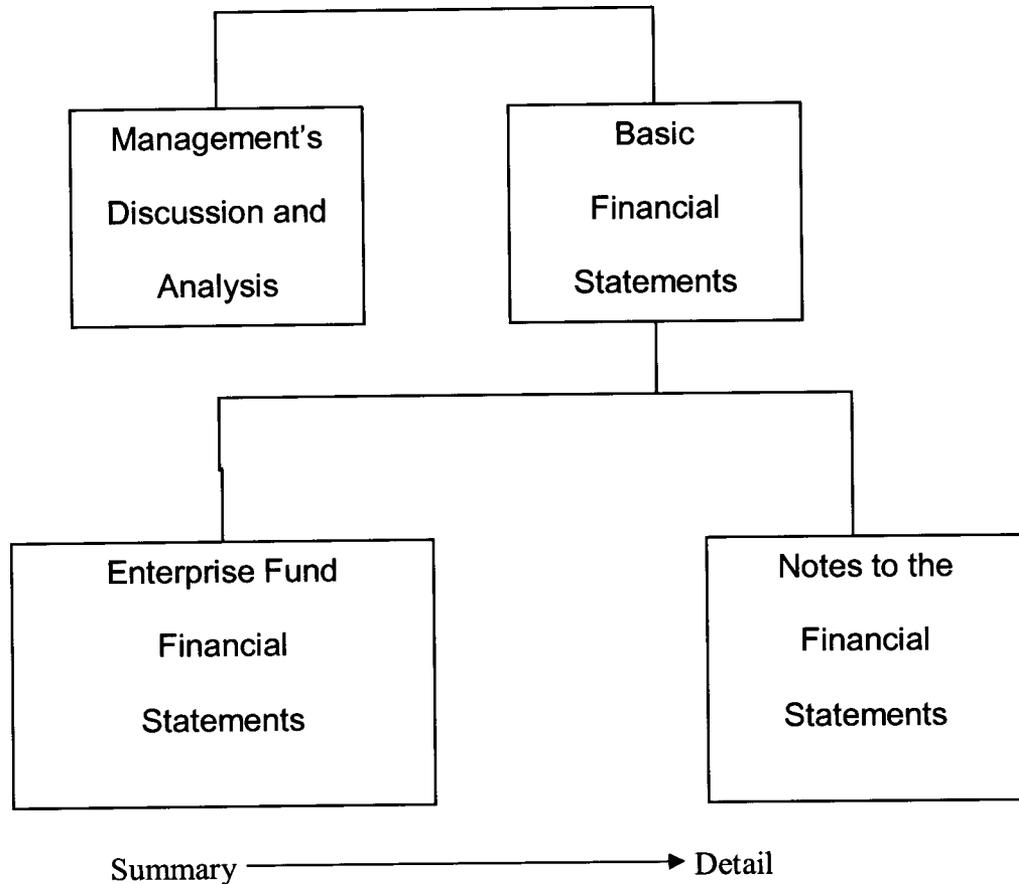
Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements, which is comprised of the basic financial statements and the notes to the financial statements. Since the district is comprised of a single enterprise fund, no fund level financial statements are shown. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the District.

**Clarksville Montgomery County E-911
Management's Discussion and Analysis**

Required Components of Annual Financial Report

Figure 1



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

The statement of revenues, expenses, and changes in net assets presents information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of 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.

**Clarksville Montgomery County E-911
Management's Discussion and Analysis - Continued**

The statement of cash flows presents information showing how the District's cash balances changed during the fiscal year. The statement details the changes in cash due to operating activities, non-capital financing activities, capital and related financing activities and investing activities.

The next section of the basic financial statements are the notes. The notes to the financial statements explain in detail some of the data contained in those statements. The notes are located on pages 15 through 26.

After the notes, supplemental information is provided to show details about the District's budget to actual comparison and information required by the General Statutes also can be found in this part of the statements. Other information is located on pages 27 through 33.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the District's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like all proprietary funds in Tennessee, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the District's budget. The District only has one proprietary fund.

Proprietary Funds – The District has one proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses its enterprise fund to account for its operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Financial Analysis of the District's Funds

**Statement of Net Assets
The Clarksville Montgomery County E-911's Net Assets**

Figure 2

	Business-Type Activities	
	2013	2012
Current and other assets	\$ 1,644,872	\$ 1,575,018
Capital assets, net	4,458,080	4,869,658
Total assets	6,102,952	6,444,676
Liabilities		
Current Liabilities	394,255	375,708
Other liabilities	2,581,035	2,826,477
Total liabilities	2,975,290	3,202,185
Net assets:		
Invested in capital assets, net of related debt	1,643,078	1,804,656
Unrestricted	1,484,584	1,437,835
Total net assets	\$ 3,127,662	\$ 3,242,491

**Clarksville Montgomery County E-911
Management's Discussion and Analysis - Continued**

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the District exceeded liabilities by \$3,127,662 and net assets decreased by \$114,828 for the fiscal year ended June 30, 2013. However, 52% reflects the District's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of \$1,484,584 is unrestricted.

Several particular aspects of the District's financial operations positively influenced the total unrestricted governmental net assets:

- Continued investment in the E911 District from Montgomery County and the City of Clarksville.
- Grants obtained from the State of Tennessee's Emergency Communications Board.
- Continued diligence by management to contain expenses.

Clarksville Montgomery County E-911 Changes in Net Assets

Figure 3

	Activities 2013	Activities 2012
Revenues:		
Program revenues:		
Charges for services	\$ 1,245,444	\$ 1,536,795
Operational Funding	402,675	345,113
Grants and contributions	908,022	655,282
Other	181,627	186,228
Total revenues	2,737,768	2,723,418
Expenses:		
Operating Expenses	2,245,955	2,114,857
Non Operating Expenses	608,642	149,693
Total expenses	2,852,597	2,264,550
Increase (Decrease) in net assets	(114,829)	458,868
Net assets, July 1	3,242,491	2,783,623
Net assets, June 30	\$ 3,127,662	\$ 3,242,491

**Clarksville Montgomery County E-911
Management's Discussion and Analysis**

Budgetary Highlights: During the fiscal year, the District revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were less than the budgeted amounts primarily because of the decreases in emergency telephone service charges and decreases in the operational funding expected from the Emergency Communications Board (TECB) and remitted to the District.

Operating expenses did not exceed the budget totals, primarily due to personnel vacancies and postponement of small equipment purchases.

Capital Asset and Debt Administration

Capital assets: The District's investment in capital assets for its enterprise fund as of June 30, 2013, totals \$4,458,080 (net of accumulated depreciation). These assets include buildings and improvements, furniture and fixtures, communications equipment and other fixed assets.

Major asset additions and disposals in the current year revolve around the replacement of the District's PSAP equipment.

District's Capital Assets

Figure 4

Building and Improvements	4,122,099	4,255,064	
Furniture and Fixtures	-	-	
Communications Equipment	315,692	587,603	
Other Fixed Assets	20,289	26,991	
Total	\$ 4,458,080	\$ 4,869,658	

Additional information on the District's capital assets can be found in note 4 of the Basic Financial Statements.

**Clarksville Montgomery County E-911
Management's Discussion and Analysis - Continued**

Long-term Debt: As of June 30, 2013, the District had total bonded debt outstanding of \$2,815,000.

District's Outstanding Debt

Figure 5

	Business-type Activities	
	2013	2012
	<u>2013</u>	<u>2012</u>
Revenue bonds	\$ 2,815,000	\$ 3,065,000
Total	<u>\$ 2,815,000</u>	<u>\$ 3,065,000</u>

The District's total debt decreased by \$250,000 during the past fiscal year, due to the principal payments on the bonds.

Additional information regarding the District's long-term debt can be found in note 7 beginning on page 23 of this report.

Economic Factors and Next Year's Budgets and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2013

Enterprise Fund: Revenues budgeted in fiscal year 2013 were less than the budget notably in the emergency telephone service charges. With continue cell phone usage as primary source of communication in households steadily increases, wireless usage fees are projected to steadily increase, whereas landline service charges are expected to decline. As equipment is beginning to reach the end to it useful life, an increase in equipment purchases will begin to increase in the coming fiscal year.

Requests for Information

This report is designed to provide an overview of the District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director, Betty Miller, at (931) 552-1011.

Gillette, Henderson & Co., PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Directors
Clarksville Montgomery County E-911
Clarksville, TN 37040

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Clarksville Montgomery County E-911, a component unit of Montgomery County, TN, as of and for the year ended June 30, 2013, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clarksville Montgomery County E-911 as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2-7 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 an opinion on the financial statements that collectively comprise Clarksville Montgomery County E-911's basic financial statements. The budgetary comparison schedule on pages 27-28 and the schedules of detailed expenses on pages 29-33 are presented for purposes of additional analysis as required by the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts and are not a required part of the basic financial statements.

The schedules of detailed expenses and budgetary comparison schedule are the responsibility of management and were derived from and relate directly to the

underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of detailed expenses and budgetary comparison schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, on our consideration of Clarksville Montgomery County E-911 internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Clarksville Montgomery County E-911's internal control over financial reporting and compliance.

Gillette, Henderson & Co., PLLC

Gillette, Henderson & Co., PLLC
Hermitage, Tennessee

December 19, 2013

**Clarksville Montgomery County E-911
(A Component Unit)
Statement of Net Assets
June 30, 2013**

ASSETS

Current Assets	
Cash	\$ 1,454,245
Accounts Receivable	60,860
Due from Tennessee Emergency Communications Board	129,767
Total Current Assets	<u>1,644,872</u>
 Capital Assets	
Building and Improvements	5,314,855
Communications Equipment	367,022
Other Capital Assets	52,120
Total Capital Assets	<u>5,733,997</u>
Accumulated Depreciation	<u>(1,275,917)</u>
Net Capital Assets	<u>4,458,080</u>
Total Assets	<u><u>\$ 6,102,952</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	\$ 15,266
Accrued Payroll	41,520
Payroll Deductions Payable	14,205
Compensated Absences Payable	63,264
Bonds Payable - Current	260,000
Total Current Liabilities	<u>394,255</u>
 Noncurrent Liabilities	
Bonds Payable - Long-Term	2,555,000
Net Other Postemployment Benefits Obligation	26,035
Total Noncurrent Liabilities	<u>2,581,035</u>
Total Liabilities	<u>2,975,290</u>
 Net Assets	
Invested in Capital Assets, Net of Related Debt	1,643,078
Unrestricted Net Assets	1,484,584
Total Net Assets	<u>3,127,662</u>
Total Liabilities and Net Assets	<u><u>\$ 6,102,952</u></u>

**Clarksville Montgomery County E-911
(A Component Unit)
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2013**

Operating Revenue	
Emergency Telephone Service Charge	\$ 821,878
Tennessee Emergency Communications Board - Shared Wireless Charge	423,567
Tennessee Emergency Communications Board - Operational Funding	402,675
Rental Income	176,575
Miscellaneous Income	177
Total Operating Revenues	<u>1,824,872</u>
Operating Expenses	
Salaries and Wages (see Exhibit 1)	1,138,798
Employee Benefits (see Exhibit 2)	513,703
Contracted Services (see Exhibit 3)	208,861
Supplies and Materials (see Exhibit 4)	99,352
Other Charges (see Exhibit 5)	73,867
Depreciation	211,374
Total Operating Expenses	<u>2,245,955</u>
Operating Income (Loss)	<u>(421,083)</u>
Nonoperating Revenues and (Expenses)	
Interest Income	4,875
Contributions from Primary Government	452,735
Tennessee Emergency Communications Board - Grants and Reimbursements	455,287
Interest Expense	(140,093)
Loss on Disposal of Property	(466,549)
Total Nonoperating Revenues and (Expenses)	<u>306,255</u>
Increase (Decrease) in Net Assets	<u>(114,828)</u>
Net Assets, Beginning of Year	<u>3,242,490</u>
Net Assets, End of Year	<u>\$ 3,127,662</u>

**Clarksville Montgomery County E-911
(A Component Unit)
Statement of Cash Flows
For the Year Ended June 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Surcharges and Other Revenues	\$ 1,630,092
Cash Payments for Payroll, Taxes and Benefits	(1,637,226)
Cash Payments to Suppliers for Goods and Services	(374,250)
Other Operating Revenue	177
Rental Income	176,575
Net Cash Provided by (Used in) Operating Activities	<u>(204,632)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contributions from Primary Government	452,735
Grants/Reimbursements TECB	186,553
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>639,288</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(266,347)
Capital Contribution from TECB	268,734
Interest Paid on Long-Term Debt	(140,093)
Principal Paid on Bonds Payable	(250,000)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(387,706)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	4,875
Net Cash Provided by (Used In) Investing Activities	<u>4,875</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	51,825
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,402,420
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 1,454,245</u></u>

**Clarksville Montgomery County E-911
(A Component Unit)
Statement of Cash Flows-Continued
For the Year Ended June 30, 2013**

CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (421,083)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	211,374
(Increase) decrease in accounts receivable	45,360
(Increase) decrease in due from TECB	(63,390)
Increase (decrease) in accounts payable	7,830
Increase (decrease) in OPEB obligations	14,558
Increase (decrease) in payroll deductions	(1,030)
Increase (decrease) in compensated absences	(890)
Increase (decrease) in accrued payroll	2,639
Total Adjustments	<u>216,451</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (204,632)</u>
NONCASH INVESTING AND FINANCING ACTIVITIES	
Net Asset Retired - PSAP Server	\$ 490,962
Trade-In of Equipment on Purchase	\$ 45,000
Net Asset Transferred to Homeland Security - PSAP	\$ 20,587

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 1 - Summary of Significant Accounting Policies

Organization

The Clarksville Montgomery County E-911 District (the District) was created as a "Municipality" or public corporation under authority of the provisions of Chapter 867 of the Tennessee Public Acts of 1984, and approved by the voters of Montgomery County, Tennessee on November 4, 1986. The powers of the District are vested in and exercised by a majority of the members of the Board of Directors. The Board consists of nine (9) members comprised of the County Sheriff, the Clarksville Chief of Police, the chairman of the E-911 user group, three (3) members (one of whom shall be a County Commissioner) nominated by the County Executive and approved by the Montgomery County Board of Commissioners, and three (3) members (one of whom shall be a member of the City Council) nominated by the Mayor and approved by the City Council. The District is considered a political sub-division of the County, and is exempt from Federal and State income tax.

Reporting Entity

The District, a component unit of Montgomery County, provides emergency communications and dispatch services for all fire, law enforcement and other emergency departments within the County. The District is a component unit of Montgomery County because it is fiscally dependent on the county. The District cannot issue bonded debt without approval of the County and it cannot adjust the rate of service charges without the County Commission's approval. The governing board of the District is appointed equally by the City and County and a substantial portion of operating revenues are provided by allocations from Montgomery County. The District's financial statements include only the assets and operations of the District, and do not include any other fund, organization, agency or department of the City or County.

Measurement Focus/ Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

District operations are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

Operating Revenues and Expenses

The accounts of the District are organized as a proprietary governmental fund. A proprietary fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs of providing services to the general public covered by the District are financed through user charges. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations.

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 1 - Summary of Significant Accounting Policies-continued
Operating Revenues and Expenses-continued

The major sources of operating revenue are customer service charges, shared wireless charges and operating subsidies.

(1) Customer Service Charges

A monthly subscriber fee is added to each telephone line in Montgomery County. The charge is billed and collected by the telephone company and is remitted to the District after a deduction of a 1% administrative fee.

(2) Shared Wireless Charges

A monthly wireless E-911 fee is collected by the State of Tennessee from wireless customers and is remitted to the District.

(3) Operating Subsidies

The District receives an operating subsidy from the Tennessee Emergency Communications Board. The District also receives rent from the City and County on the 911 building.

Operating expenses for enterprise funds include expenses incurred relating to the operation and maintenance of its system. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary funds have the option of consistently following or not following FASB pronouncements issued subsequent to November 30, 1989. The District, considering the requirements of the Office of the Comptroller of the Treasury, will only follow GASB guidance issued after November 1989, and not follow any FASB guidance subsequent to November 1989.

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

Cash and Cash Equivalents

Cash and cash equivalents, as shown in the Statement of Cash Flows, includes all cash in bank accounts and on hand that is allocated for use by the District. For the purposes of the statement of cash flows, the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The cash flow statement is prepared in accordance with GASB statement No. 9 as the organization is considered a component of the County. As of June 30, 2013 there were no cash equivalents.

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 1 - Summary of Significant Accounting Policies-continued

Accounts Receivable/Due from Tennessee Emergency Communications Board

The District has receivables due from communication service providers and the State ECB for service charges and tariffs. Based on the nature of the revenues there will always be at least one month's receivable at the end of the year.

There has been no allowance for doubtful accounts recorded because the probability of non-payment is low. Accounts receivable are recorded when incurred.

Accounts receivable is concentrated with two vendors. Both vendors are pass-thru entities that collect and forward wireless and land line collections from customers in Robertson County.

Fixed Assets and Depreciation

Fixed assets are recorded at cost. Capital expenditures of \$10,000 or more and certain sensitive equipment, such as computer equipment, are capitalized for future depreciation. General equipment costing less than \$10,000 is an expense of the period when placed in service. Computer software is not considered capital equipment. Depreciation and accumulated depreciation are recorded on capitalized equipment. Assets are depreciated using the straight-line basis, and a 5-40 year expected useful life as required by the Accounting and Financial Reporting Manual. The District capitalizes all significant purchases with a useful life greater than five years.

Budgets and Budgetary Accounting

The District board of directors formally approves the budget. The budget is adopted on a basis consistent with generally accepted accounting principles except that depreciation is not budgeted and the budgeted cost of fixed assets purchased is included as an expenditure. The District is required by Section 7-86-120, Tennessee Code Annotated, to adopt and operate under an annual budget. In addition, the Accounting and Financial Reporting Manual for Tennessee Emergency Communication Districts established the legal level of control, which is defined to be at the line item.

Budgeted amounts lapse at the end of the fiscal year and no unexpended balances are carried to the subsequent year.

A statement of comparison for the budgeted and actual revenues and expenditures is included in the Supplementary Information section of this report.

The budget was amended during the year by vote of the Board of Directors.

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 1 - Summary of Significant Accounting Policies-continued

Leave Policies

Annual leave is accrued on a monthly basis from the effective date of an employee's appointment. Annual leave may be accrued up to a maximum 160 hours for less than 5 years of employment, 192 hours for 5-10 years of employment, and 200 hours for more than 10 years employment. At the end of each month, accrued hours for each employee in excess of the maximum are transferred to sick leave. On termination of employment, the District pays an accrued vacation leave in a lump cash payment to such employee. All accrued compensated absences are shown on the balance sheet as short-term liabilities since a reasonable estimation of the long-term portion cannot be made.

Sick leave is accumulated on a monthly basis from the effective date of an employee's appointment. Employees may accrue an unlimited number of hours. On termination of employment of any employee, for any reason except retirement, all sick leave is forfeited. On retirement of an employee, accrued sick leave is credited toward extending the computation of longevity. Accrued sick leave is not included as a liability in the balance sheet.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

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 employee, natural disasters. The District has elected to obtain various insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee County Services Association Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years. Insurance for the District is included in the policies written for Montgomery County and the City of Clarksville.

Use of Estimates

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

Cash Funds

Cash funds of the District are combined with other County funds and managed by the County Trustee. Interest earned on these combined cash funds is allocated as directed by the County Commissioners. Interest income of \$4,875 was allocated to the District during the current year.

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 2 - Cash Deposits

Cash deposits are carried at cost which approximates fair value. The carrying amount of deposits is separately displayed on the balance sheet as \$1,454,245.

Custodial credit risk for the District's deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2013, a portion of the deposits of the District were held by the Montgomery County Trustee in a combined fund with other Montgomery County deposits. The deposits of Montgomery County Trustee that exceed FDIC insurance limits are further insured by securities set aside as collateral and pledged to the State Treasurer of the State of Tennessee. This pledging is accomplished as prescribed by Tennessee State Code, Public Funds Collateral Pool Board.

State statutes authorize the District to invest in obligations of the federal government, federal agencies, state government, the state investment pool, certificates of deposit, other time deposits and repurchase agreements. The District's investment policy - via Montgomery County - follows state law which authorizes investments for emergency communications districts in Tennessee Code Annotated Section 5-8-301.

The District's deposits with financial institutions consist of the following at June 30, 2013:

	Maturity Date	Interest Rate	Carrying Amount	Bank Balance
Cash: Held in Pooled Checking	n/a	variable	\$1,454,245	\$1,456,588

Note 3 - Accounts Receivable

Accounts receivable consists primarily of amounts due for monthly service charges collected for the District:

AT&T	\$ 41,564
Other Service Providers	19,296
Due From TECB	129,767
Total	\$ 190,627

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 4 – Property and Equipment

Property and Equipment consisted of the following at June 30, 2013:

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Buildings and Improvements	\$ 5,314,855	\$ -	\$ -	\$ 5,314,855
A/D - Buildings and Improvements	(1,059,791)	(132,965)	-	(1,192,756)
Communications Equipment	1,029,794	313,339	(976,111)	367,022
A/D - Communications Equipment	(442,191)	(71,708)	462,569	(51,330)
Other Capital Assets	52,120	-	-	52,120
A/D - Other Capital Assets	<u>(25,129)</u>	<u>(6,702)</u>	<u>-</u>	<u>(31,831)</u>
Net Property and Equipment	<u>\$ 4,869,658</u>	<u>\$ 101,964</u>	<u>\$(513,542)</u>	<u>\$ 4,458,080</u>

Note 5 – Operating Lease and Related Party Transactions

The District entered into a lease effective July 1, 2005 with Montgomery County, Tennessee, a related party, to lease the second floor of the E-911 Building. The base term of this lease is three years from July 1, 2005, continuing through June 30, 2008. A new two year agreement was entered into for the period from July 1, 2011 to June 30, 2013 at \$6,533/month. In addition, the lessee signed a new one year agreement from July 1, 2012 to June, 30, 2013 to agree to pay a portion of the utility costs, maintenance salaries, custodial supplies, and trash collection on an annual basis. Said reimbursement shall be made monthly at \$3,538/month and shall be in an amount based on the prior year's costs.

The District also signed interlocal agreements with Montgomery County to receive compensation for dispatch services provided by the District. The interlocal agreement for the dispatch services was in place from July 1, 2012 through June 30, 2013 at 37,083/month. There were no amounts due to or from Montgomery County at June 30, 2013.

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 5 – Operating Lease and Related Party Transactions – continued

Finally, Montgomery County has agreed to reimburse the District for a portion of the annual PSAP maintenance cost. The amount paid to the District for the year ending June 30, 2013 was \$-0-.

Note 6 – Retirement Plan

PLAN DESCRIPTION

Employees of Montgomery County 911 Emergency Communications District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Montgomery County 911 Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

FUNDING POLICY

Montgomery County 911 Emergency Communications District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll.

Montgomery County 911 Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 12.01% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Montgomery County 911 Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 6 – Retirement Plan-continued

ANNUAL PENSION COST

For the year ending June 30, 2013, Montgomery County 911 Emergency Communications District's annual pension cost of \$131,080 to TCRS was equal to Montgomery County 911 Emergency Communications District's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Montgomery County 911 Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 8 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2011, the most recent actuarial valuation date, the plan was 89.25 percent funded. The actuarial accrued liability for benefits was \$2.57 million, and the actuarial value of assets was \$2.29 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.28 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.99 million, and the ratio of the UAAL to the covered payroll was 27.73 percent.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$131,080	100.00%	\$0.00
June 30, 2012	\$127,272	100.00%	\$0.00
June 30, 2011	\$130,915	100.00%	\$0.00

The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose,

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 6 – Retirement Plan-continued

and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Schedule of Funding Progress for Montgomery County 911 ECD
(Dollar amounts in thousands)

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Plan Assets (a)</i>	<i>Actuarial Accrued Liability (AAL) - Entry Age (b)</i>	<i>Unfunded AAL (UAAL) (b) - (a)</i>	<i>Funded Ratio (a/b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a Percentage of Covered Payroll ((b-a)/c)</i>
July 1, 2011	\$2,290	\$2,566	\$276	89.25%	\$995	27.73%
July 1, 2009	\$1,745	\$1,932	\$187	90.32%	\$968	19.31%
July 1, 2007	\$1,524	\$1,729	\$205	88.14%	\$947	21.65%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method change went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

Note 7 – Long-Term Debt

In 2001, an interlocal agreement was signed by the City of Clarksville and the District whereby the City of Clarksville agreed to furnish the land and issue revenue bonds for the construction of the new emergency dispatch center, and the District became responsible for the debt service to retire the revenue bonds. When the debt service is retired, the City will transfer title to the land and building to the District in fee simple free of all liens and encumbrances. This agreement constitutes a lease purchase and therefore a liability for the bond payable is recorded on the District's books. The interlocal agreements calls for the payments of the debt service to be due annually on June 1 and December 1 until 2018, with term bonds due June 1, 2020 and June 1, 2022.

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 7 – Long-Term Debt-continued

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>Lease Payable</u>	
	<u>Principal</u>	<u>Interest</u>
6/30/2014	260,000	129,780
6/30/2015	270,000	118,860
6/29/2016	285,000	107,250
6/30/2017	295,000	94,710
6/30/2018	310,000	81,435
Thereafter	1,395,000	205,526
Total	<u>\$ 2,815,000</u>	<u>\$ 737,561</u>

Long-Term debt for the year ended June 30, 2013 is as follows:

	<u>6/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/13</u>	<u>Due Within One Year</u>
Revenue					
Bonds	\$ 3,065,000	\$ -	\$ (250,000)	\$ 2,815,000	\$ 260,000
Total	<u>\$ 3,065,000</u>	<u>\$ -</u>	<u>\$ (250,000)</u>	<u>\$ 2,815,000</u>	<u>\$ 260,000</u>

The total interest incurred on these liabilities for the year ending June 30, 2013 was \$140,093.

Note 8 - Economic Dependency

As of and for the year ended June 30, 2013, the District has the following balances and transactions with respect to major customers:

	<u>Revenues</u>	<u>A/R</u>
TECB	\$ 1,281,529	\$ 129,767
AT&T	\$ 490,626	\$ 41,564

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

**Note 9 - Other Postemployment Benefits (OPEB)
Self-Insurance Plan**

Plan Description

All full-time employees and eligible retirees of the primary government of Montgomery County including the emergency communications district are eligible to participate in the health and dental insurance cost sharing plan accounted for in the Self-Insurance Fund (internal service fund). For accounting purposes, the plan is an agent single-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee established by the County Commission.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The county develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums.

An employee who retires from Montgomery County becomes eligible for retiree health coverage if they have 20 years of service and were enrolled in the health insurance program for at least two years. Montgomery County pays a portion of the premium for retirees and their spouses. Once the retirees or their dependent(s) become eligible for Medicare, the county coverage will become the secondary insurance provider.

Annual OPEB Cost and Net OPEB Obligation

Annual Required Contribution	\$	14,802
Interest on the Net OPEB Obligation		459
Adjustment on Annual Required Contributions		(447)
Annual OPEB Cost		14,814
Amount of Contribution		(256)
Increase/Decrease in Net OPEB Obligation		14,558
Net OPEB Obligation, July 1, 2012		11,477
Net OPEB Obligation, June 30, 2013	\$	26,035

Fiscal Year	Plans	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation at Year End
6/30/2013	Emergency Communications District	\$ 14,814	1.73%	\$ 26,035
6/30/2012	Emergency Communications District	\$ 13,674	1.73%	\$ 11,477
6/30/2011	Emergency Communications District	\$ 13,146	100.00%	\$ (1,960)

**Clarksville Montgomery County E-911
(A Component Unit)
Notes to Financial Statements**

Note 9 - Other Postemployment Benefits (OPEB) - continued

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, was as follows:

Actuarial Valuation Date	<u>1/1/2012</u>
Actuarial Accrued Liability (AAL)	\$ 120,190
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	120,190
Actuarial Value of Assets as a Percentage of AAL	0.00%
Covered Payroll	\$ 1,138,639
Unfunded Actuarial Accrued Liability as a % of Covered Payroll	10.56%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 6.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost of 9% grading 6% over 6 years for 2012, with the assumption that annual medical costs will increase eight percent per year.

Note 10 – Subsequent Events

Subsequent events have been evaluated through December 19, 2013, which is the date the financial statements were available to be issued.

END OF NOTES

**Clarksville Montgomery County E-911
(A Component Unit)
Budgetary Comparison Schedule
For the Year Ended June 30, 2013**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE OVER (UNDER)
Operating Revenues				
Emergency Telephone Service Charge	\$ 1,050,000	\$ 1,050,000	\$ 821,878	\$ (228,122)
TECB - Shared Wireless Charge	406,000	406,000	423,567	17,567
TECB - Operational Funding	345,094	613,828	402,675	(211,153)
Rental Income	176,575	176,575	176,575	-
Miscellaneous Income	1,000	1,000	177	(823)
Total Operating Revenues	1,978,669	2,247,403	1,824,872	(422,531)
Operating Expenses				
Salaries and Wages				
Director	66,912	66,912	66,822	(90)
Dispatchers	1,017,464	1,061,364	972,724	(88,640)
Maintenance Personnel	69,370	69,370	68,430	(940)
Overtime Pay	35,700	35,700	29,034	(6,666)
Part-time Personnel	21,000	21,000	1,788	(19,212)
Total Salaries and Wages	1,210,446	1,254,346	1,138,798	(115,548)
Employee Benefits				
Social Security	71,918	74,640	65,490	(9,150)
Medicare	16,820	17,457	15,316	(2,141)
Life Insurance	1,470	1,508	984	(524)
Medical Insurance	268,200	287,099	283,532	(3,567)
Unemployment Compensation	7,500	7,500	2,520	(4,980)
Retirement Contributions	141,748	147,113	131,303	(15,810)
Longevity Pay	-	-	14,558	14,558
Other Fringe Benefits	672	672	-	(672)
Total Employee Benefits	508,328	535,989	513,703	(22,286)
Contracted Services				
Addressing/Mapping	47,000	47,000	29,850	(17,150)
Audit Services	9,500	9,490	9,450	(40)
Legal Services	3,000	3,000	120	(2,880)
Lease/Rental - Communications Equipment	78,000	78,000	75,962	(2,038)
Lease/Rental - Office Equipment	6,400	6,400	3,697	(2,703)
Maintenance and Repairs - Communication Equipment	72,000	77,342	75,307	(2,035)
Maintenance and Repairs - Buildings and Facilities	13,000	13,000	10,960	(2,040)
Maintenance and Repairs - Office Equipment	550	550	450	(100)
Other Contracted Services	3,250	4,250	3,065	(1,185)
Total Contracted Services	232,700	239,032	208,861	(30,171)
Supplies and Materials				
Office Supplies	5,000	5,000	2,736	(2,264)
Custodial Supplies	10,000	10,000	5,392	(4,608)
Small Equipment Purchases	6,000	278,683	9,267	(269,416)
Utilities - Electric	55,000	56,000	56,668	668
Utilities - Water and Sewer	3,000	3,000	2,751	(249)
Utilities - General Telephone	18,000	20,000	18,641	(1,359)
Other Supplies and Materials	4,500	4,500	3,897	(603)
Total Supplies and Materials	\$ 101,500	\$ 377,183	\$ 99,352	\$ (277,831)

**Clarksville Montgomery County E-911
(A Component Unit)
Budgetary Comparison Schedule-continued
For the Year Ended June 30, 2013**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE OVER (UNDER)
Operating Expenses (continued)				
Other Charges				
Dues and Memberships	\$ 2,500	\$ 2,500	\$ 760	\$ (1,740)
Insurance - Workers Compensation	12,000	12,000	-	(12,000)
Insurance - Liability	25,000	23,248	23,248	-
Insurance - Buildings and Contents	8,000	8,000	6,419	(1,581)
Licenses and Fees	200	210	210	-
Premiums on Surety Bonds	450	450	405	(45)
Public Education	2,500	2,500	47	(2,453)
Training Expenses	40,000	40,000	29,679	(10,321)
Trustee Commission	19,000	19,000	13,099	(5,901)
Other Charges	13,000	13,000	-	(13,000)
Total Contracted Services	<u>122,650</u>	<u>120,908</u>	<u>73,867</u>	<u>(47,041)</u>
Depreciation Expense	212,000	212,000	211,374	(626)
Total Operating Expenses	<u>2,387,624</u>	<u>2,739,458</u>	<u>2,245,955</u>	<u>(493,503)</u>
Operating Income (Loss)	(408,955)	(492,055)	(421,083)	70,972
Nonoperating Revenues				
Interest Income	1,300	1,300	4,875	3,575
Contributions from Primary Government	460,475	460,475	452,735	(7,740)
TECB - Grants and Reimbursements	97,000	97,000	455,287	358,287
Total Nonoperating Revenues	<u>558,775</u>	<u>558,775</u>	<u>912,897</u>	<u>354,122</u>
Nonoperating Expenses				
Interest Expense	149,700	149,700	140,093	(9,607)
Loss on Disposal of Property	-	-	466,549	466,549
Total Nonoperating Expenses	<u>149,700</u>	<u>149,700</u>	<u>606,642</u>	<u>456,942</u>
Increase (Decrease) in Net Assets	120	(82,980)	(114,828)	<u>(31,848)</u>
Net Assets, Beginning of Year	3,242,490	3,242,490	3,242,490	
Net Assets, End of Year	<u>\$ 3,242,610</u>	<u>\$ 3,159,510</u>	<u>\$ 3,127,662</u>	

**Clarksville Montgomery County E-911
(A Component Unit)
Exhibit 1 - Schedule of Salaries and Wages
For the Year Ended June 30, 2013**

Director	\$ 66,822
Dispatchers	972,724
Maintenance Personnel	68,430
Overtime Pay	29,034
Part-time Personnel	<u>1,788</u>
Total Salaries and Wages	<u>\$ 1,138,798</u>

**Clarksville Montgomery County E-911
(A Component Unit)
Exhibit 2 - Schedule of Employee Benefits
For the Year Ended June 30, 2013**

Social Security	\$	65,490
Medicare		15,316
Life Insurance		984
Medical Insurance		283,532
Unemployment Compensation		2,520
Retirement Contributions		131,303
Other Postemployment Benefits		14,558
Total Employee Benefits	<u>\$</u>	<u>513,703</u>

**Clarksville Montgomery County E-911
(A Component Unit)
Exhibit 3 - Schedule of Contracted Services
For the Year Ended June 30, 2013**

Audit Services	\$ 9,450
Addressing/Mapping Expense	29,850
Legal Services	120
Lease/Rental - Communications Equipment	75,962
Lease/Rental - Office Equipment	3,697
Maintenance and Repairs - Communications Equipment	75,307
Maintenance and Repairs - Buildings and Facilities	10,960
Maintenance and Repairs - Office Equipment	450
Other Contracted Maintenance Services	3,065
Total Contracted Services	<u>\$ 208,861</u>

**Clarksville Montgomery County E-911
(A Component Unit)
Exhibit 4 - Schedule of Supplies and Materials
For the Year Ended June 30, 2013**

Office Supplies	\$ 2,736
Custodial Supplies	5,392
Small Equipment Purchases	9,267
Utilities - Electric	56,668
Utilities - Water and Sewer	2,751
Utilities - General Telephone	18,641
Other Supplies and Materials	3,897
Total Supplies and Materials	<u>\$ 99,352</u>

**Clarksville Montgomery County E-911
(A Component Unit)
Exhibit 5 - Schedule of Other Charges
For the Year Ended June 30, 2013**

Dues and Memberships	\$	760
Insurance - Liability		23,248
Insurance - Buildings and Contents		6,419
Licenses and Fees		210
Premiums on Surety Bonds		405
Public Education		47
Training Expenses		29,679
Other Charges - Trustee Commission		13,099
Total Contracted Services	<u>\$</u>	<u>73,867</u>

Gillette, Henderson & Co., PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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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

December 19, 2013

To the Board of Directors
Clarksville Montgomery County E-911
Clarksville, TN 37040

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audit contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Clarksville Montgomery County E-911 ("The District" - a component unit of Montgomery County) as of and for the year ended June 30, 2013 and have issued our report thereon dated December 19, 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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of The District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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. We did identify certain deficiencies in internal control, described in the

accompanying schedule of findings and responses that we consider to be significant deficiencies: 2013-1 and 2013-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 and responses: 2013-1.

The District's Response to Findings

Clarksville Montgomery County E-911's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely for the information and use of the management of Clarksville Montgomery County E-911, the Tennessee Emergency Communications Board, Tennessee State Comptroller's Office and other regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Gillette, Henderson & Co., PLLC

Gillette, Henderson & Co., PLLC
Hermitage, Tennessee

**Clarksville Montgomery County E-911
(A Component Unit)
Schedule of Findings and Responses
June 30, 2013**

**Finding 2013-1 – Internal Control over Compliance with the Accounting Manual
(repeat finding)**

Condition: In the course of performing our audit, we noted 1 instance of non-compliance with the audit manual.

Criteria: TCA Section 7-86-124 requires that no board member on sole authority may authorize a transaction affecting a financial asset.

Effect: The effect of these violations was unintentional noncompliance with this policy by the board of directors. Although not a board member, the Trustee of Montgomery County acted on sole authority and transferred funds of the district to a comingled account in an attempt to earn a higher rate of return on the investment without the board's authorization.

Recommendation: We observed in the minutes and verbally confirmed that an interlocal agreement has been written, reviewed by the TECB and signed into action in November 2013 to eliminate this issue. We recommend no further action.

Response: We concur.

Finding 2013-2 – Internal Control over Financial Reporting of Revenue

Condition: In the course of performing our audit, we noted 1 instance where internal controls did not detect an unusual, infrequent revenue item that was posted to the incorrect revenue line item.

Criteria: The TECB Accounting and Financial Reporting Manual has specific guidance for the reporting of revenue items.

Effect: The effect resulted only in revenue being reported to the board throughout the year on the incorrect line item. The total revenue and net income was unaffected.

Recommendation: We recommend that controls be put in place to insure correct reporting for unusual revenue or expense items. This may include consultation of the TECB Accounting and Financial Reporting Manual or other knowledgeable authority.

Response: We concur.