

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Financial Statements and Supplementary Information
For the Year Ended June 30, 2013
And
Report of Certified Public Accountant

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
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June 30, 2013

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Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Roster of Committee Members
June 30, 2013

Steve Douglass, Chairman
PO Box 309
Dover, TN 37058

Carter Cottrell
Cottrell Ridge Rd
Dover, TN 37058

Robert Falkner
324 Shane Lee Circle
Dover, TN 37058

Donna Lancaster
309 Castle Lane
Dover, TN 37058

Andy Luton
120 Ginger Drive
Dover, TN 37058

Jeff Milton
353 Leatherwood Road
Dover, TN 37058

James Andrew

Jenny Hyde

Deanna Hutchison

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Management's Discussion and Analysis
June 30, 2013

The following discussion and analysis of the Stewart County E-911 Communications District's ("The District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. Management encourages readers to consider the information presented here in conjunction with the accompanying financial statements and notes to the financial statements following this section.

The Stewart County E-911 Communications District is a proprietary component unit of Stewart County, Tennessee. The District was authorized by Stewart County, Tennessee in 1990. The District provides communication for emergency services to the appropriate public service agency. The costs of these services are funded by monthly telephone subscriber service fees and state grants.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities by \$809,377 (net assets) for the year ended June 30, 2013. This compares to the previous year when assets exceeded liabilities by \$785,432
- Total net position was comprised of the following:
 - (1) Net investment in capital assets of \$870,428,590,029, includes communications equipment, net of accumulated depreciation.
 - (2) Unrestricted net assets of \$219,348 represent the portion available to maintain the District's continuing obligations to citizens and creditors.
- Total liabilities of the District increased by \$637 to \$3,237 during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include: (1) fund financial statements, and (2) notes to the financial statements. The District also includes in this report additional information to supplement the basic financial statements.

Fund Financial Statements

A fund is established to account for a specific activity or purpose. Law mandates the creation of some funds. Other funds are established by management to demonstrate financial compliance with budget or legal requirements. The Stewart County E-911 Communications District is a component unit of Stewart County and is accounted for as a proprietary fund.

Proprietary Funds

There are two types of proprietary funds. These are *enterprise funds* and *internal service funds*. The District is accounted for as an enterprise fund. *Enterprise funds* are used to account for operations that are financed and operated in a manner similar to private business enterprises. Services are provided to customers external to the District.

Required Fund Financial Statements

The basic fund financial statements include the Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund, the Statement of Net Position – Proprietary Fund, and the Statement of Cash Flows – Proprietary Fund.

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Management's Discussion and Analysis
June 30, 2013

The Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund reports all of the revenues and expenses received and incurred by the District during the fiscal year ended June 30, 2013. The statement measures the success of the District's operations over the fiscal year and can be used to determine whether the District has successfully recovered all its costs through surcharges, fees and grants.

The Statement of Net Position – Proprietary Fund includes all assets and liabilities of the District as of the fiscal year ended June 30, 2013. Over time, increases and decreases in net position will serve as a useful indicator of the District's financial position.

The Statement of Cash Flows – Proprietary Fund reports the cash provided and used by operating activities as well as cash sources and payments resulting from investing and financing activities. Consequently, only transactions that affect the District's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income as reported on the Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund.

Notes to the Financial Statements

The notes to the financial statements provide information essential to a full understanding of the fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain information required by the Tennessee Emergency Communications Board such as budget versus actual comparisons and a schedule of other information. This required supplementary information follows the notes to the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District. The District's net position at June 30, 2013 are \$809,377. This is a \$23,945 increase over last year's net assets of \$785,432. A portion of the District's net assets (72 percent) reflects its investment in capital assets, such as office and communication equipment and the new visitor center facility. The District uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. The remaining portion of net assets (28 percent) is available for future spending. The following table provides a summary of the District's net assets at June 30, 2013:

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Management's Discussion and Analysis
June 30, 2013

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 222,585	\$ 622,170
Capital assets	<u>590,029</u>	<u>165,862</u>
Total assets	<u>812,614</u>	<u>788,032</u>
Short-term liabilities	<u>3,237</u>	<u>2,600</u>
Total liabilities	<u>3,237</u>	<u>2,600</u>
Net position:		
Invested in capital assets	590,029	165,862
Unrestricted	<u>219,348</u>	<u>619,570</u>
Total net assets	<u>\$ 809,377</u>	<u>\$ 785,432</u>

The District reported positive balances in net assets for both years. Total assets increased \$315,24524,582 while total liabilities increased \$637. As a result, total net position increased \$23,945 The District's overall financial position improved during the fiscal year 2013.

Business-type Activities

The District's activities increased net position by \$23,945. The costs of the District's activities this year were \$0272,227. The amount paid by users of the operations was \$63,056. The additional revenue sources include interest of \$2,328 and state grants of \$230,788. Comparative data is accumulated and presented in the following table to assist analysis.

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Management's Discussion and Analysis
June 30, 2013

Business-type Activities (Continued)

	<u>2013</u>	<u>2012</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 63,056	\$ 80,191
General Revenues:		
Interest	2,328	4,558
Other	230,788	197,982
Total Revenues	<u>296,172</u>	<u>282,731</u>
Expenses:		
Program Expenses:	<u>272,227</u>	<u>222,386,732</u>
Total Expenses	<u>272,227</u>	<u>222,732</u>
Change in Net Assets	34,209	59,999
Beginning Net Assets	<u>775,168</u>	<u>725,433</u>
Ending Net Assets	<u><u>\$ 809,377</u></u>	<u><u>\$ 785,432</u></u>

BUDGETARY HIGHLIGHTS

The budgeted expenditures for fiscal year 2013 were \$284,712. This was a decrease of \$90,120 from the previous year's budgeted expenditures. This budgeted expenditures change was due to increased hours for part-time personnel and related taxes, also a budgeted substantial investment in capital assets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, as of June 30, 2013 was \$590,029, an increase of 255 percent. This portion of increase is for new dispatch equipment to replace the leased equipment currently in use, upgrading the electrical system to provide continuous service in the event of another lightning strike, new pagers and chairs. Additional information on the District's capital assets can be found in note 4 in the notes to the financial statements included in the basic financial statements.

Long-term Debt

The District had no long-term or short-term debt during the current or prior year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's revenue is dependent upon the number of subscribers to telephone service. In recent years the number of subscribers has continued to increase, especially with the increase in cellular telephone use. Economic factors do not appear to have a substantial impact on revenue. Telephone service is considered more of a necessity than a luxury and therefore its use does not increase or decrease with changes in the economy.

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Management's Discussion and Analysis
June 30, 2013

These factors were taken into consideration in preparing the budget for the next fiscal year ended June 30, 2014. The District's customer base is expected to remain fairly stable. New equipment purchases are expected to revert to prior levels only increasing slightly as technology improves. Cash reserves were used to make the substantial capital asset purchases this year, significantly reducing the interest bearing certificates of deposit. The District expects to receive a substantial portion of the capital asset costs to be reimbursed by a grant from the State once the equipment is placed in service. In total, the expected amount of grants and reimbursements from the state has increased during the fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the District's Board of Directors, at P.O. Box 751, Dover, Tennessee 37058.



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INDEPENDENT AUDITOR'S REPORT

Stewart County E-911 Committee
Stewart County E-911 Communications District
625 Donelson Parkway
Dover, Tennessee 37058

Report on the Financial Statements

We have audited the accompanying financial statements of the Stewart County E-911 Communications District (the District), a component unit of Stewart County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and requirements prescribed by the Comptroller of the Treasury, State of Tennessee, as detailed in the Audit Manual. 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.

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 - 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The roster of committee members (page 1) and budgetary comparison schedule (pages 21 - 22) are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule is the responsibility of management and was derived from and relates 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 budgetary comparison schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

The roster of committee members has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing,

and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Thurman Campbell Group, PLC

Clarksville, TN
December 15, 2013

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Statement of Net Position
June 30, 2013

ASSETS

Current assets:

Cash and cash equivalents	\$ 212,102
Accounts receivable	10,223
Prepaid Expense	260
Total current assets	222,585

Noncurrent assets:

Capital assets not being depreciated	208,870
Depreciable capital assets, net	381,159
Total noncurrent assets	590,029

Total assets	812,614
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LIABILITIES

Current liabilities:

Accounts payable	2,886
Other current liabilities	351
Total current liabilities	3,237

NET POSITION

Net investment in capital assets	590,029
Unrestricted	219,348
Total net position	\$ 809,377

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

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

OPERATING REVENUES

Emergency telephone service charge	\$ 63,056
Tennessee Emergency Communications Board - shared wireless charge	32,463
Tennessee Emergency Communications Board - operational funding	124,182
Other operating revenues	44,293
Total operating revenues	263,994

OPERATING EXPENSES

Salaries and Wages:	
Administrative personnel	42,000
Part-time personnel	12,270
Employee Benefits:	
Social Security	3,365
Medicare	787
Unemployment compensation	401
Contracted Services:	
Advertising	351
Audit services	5,500
Accounting services	3,600
Administrative fee-service charges	2,117
Contracts with government agencies - dispatchers interfund services	75,000
Data processing	70
Janitorial services	360
Maintenance agreements	30,176
Lease/rental - communications equipment	25,667
Lease/rental - buildings and facilities	3,850
Maintenance and repairs - communications equipment	2,136
Maintenance and repairs - buildings and facilities	800
Maintenance and repairs - office equipment	146
Maintenance and repairs - vehicles	8
Fuel - vehicles	1,301
Other Contracted Services	394

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

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Statement of Revenues, Expenses and Changes in Net Position (Continued)
For the Year Ended June 30, 2013

Supplies and Materials:	
Office supplies	317
Custodial supplies	84
Data processing supplies	194
Postage	21
Small equipment purchases	37
Utilities - electric	1,628
Utilities - general telephone	2,973
Utilities - cell phones and pagers	962
Other supplies and materials	2,626
Other Charges	
Bank charges	122
Board meeting expenses	192
Dues & memberships	273
Insurance - workers compensation	3,305
Insurance - liability	3,047
Licenses and fees	6,136
Premiums on surety bonds	285
Training expense	1,274
Other charges	50
Depreciation	<u>38,402</u>
Total operating expenses	<u>272,227</u>
Operating income (loss)	<u>(8,233)</u>
<u>NON-OPERATING REVENUE (EXPENSE)</u>	
Interest income	2,328
Tennessee Communications Board - grants and reimbursements	<u>29,850</u>
Total non operating revenue (expense)	<u>32,178</u>
Change in net position	23,945
Net position - beginning of the year (as restated)	<u>785,432</u>
Net position - end of the year	<u><u>\$ 809,377</u></u>

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

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Statement of Cash Flows
For the Year Ended June 30, 2013

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from surcharges and other revenues	\$ 264,035
Cash payments to suppliers for goods and services	(95,259)
Cash payments for payroll, taxes and related benefits	(58,823)
Cash payments for inter-fund services - contract labor and contract labor benefits	(75,000)
Net cash provided (used) by operating activities	34,953
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Grants/reimbursements from TECB	29,850
Net cash provided by noncapital financing activities	29,850
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Purchase of capital assets	(462,569)
Net cash (used) by capital and related financing activities	(462,569)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest income received	2,328
Net cash provided by investing activities	2,328
Net increase (decrease) in cash and cash equivalents	(395,438)
Cash and cash equivalents at beginning of year	607,540
Cash and cash equivalents at end of year	\$ 212,102
<u>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating income (loss)	\$ (8,233)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	38,402
(Increase) decrease in accounts receivable	41
(Increase) decrease in prepaid expense	4,106
Increase (decrease) in accounts payable and other current liabilities	637
Net cash provided (used) by operating activities	\$ 34,953

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

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Notes to the Financial Statements
For the Year Ended June 30, 2013

1. REPORTING ENTITY

These are proprietary component unit financial statements of Stewart County E-911 Communications District, a component unit of Stewart County, Tennessee. The nine member governing board is appointed by the Stewart County's Board of Commissioners. The District's budget is presented to the County Commissioners. Stewart County Commissioners must approve the issuance of any long-term debt.

TCA (Tennessee Code Annotated) 7-86-151 states, "The legislative body of any municipality or county is authorized by ordinance or resolution, respectively, to establish, operate and maintain an emergency communications system providing 911 service within its boundaries when funded by general revenues."

The Stewart County E-911 Communications District was created by the legislative body of Stewart County, after a referendum authorizing the district was approved by a majority of the eligible voters within the area of the proposed district in 1990. TCA 7-86-106 states "The emergency communications district so created shall be a "municipality" or public corporation in perpetuity under its corporate name..."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Measurement Focus and Basis of Accounting

The fund financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met. The District is treated as an enterprise fund. The governing body intends that costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

b. Financial Statement Presentation

The Stewart County E-911 Communication District's financial statements have been prepared in conformity with generally accepted accounting principles as set forth in the Pronouncements of the Governmental Accounting Standards Board (GASB).

c. Source of Funds

The board of directors of the District levy an emergency telephone service charge, in the amount of \$1 per month for residential classification users and \$2.50 per month for business classification users, to fund the 911 emergency telephone services. These funds are collected by the service supplier and remitted to the district each month.

In December 1999, the State of Tennessee began collecting and distributing the District's share of charges collected for all wireless telephones. Currently, the State collects \$1.00 per subscriber, per month, less a vendor compensation fee of \$.03. Twenty five percent (25%) of amounts collected by the State are redistributed to local emergency districts according to

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2013

Census population numbers. The State distributes these funds to the District on a bi-monthly basis.

d. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, checking accounts, money fund accounts, certificates of deposit, and credit union accounts. For purposes of the statement of cash flows, the District considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

e. Fund Financial Statements

Fund financial statements are designed to present financial information at a detailed level. The focus of fund financial statements is on major funds. The District consists of only one fund, the enterprise fund, which is a proprietary fund type.

Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the continuing operations of the fund. Other revenue and expenses are classified as non-operating in the financial statements.

f. Accounts Receivable

Accounts receivable consist of user charges due from service suppliers and wireless charges due from the State. Based on historical experience, an allowance for uncollectible accounts has not been provided. Any user charges that are subsequently determined to be uncollectible are recorded as a reduction in revenue at that time. In management's opinion, such reporting does not materially affect the fund financial statements.

g. Property, plant and equipment - Property, plant and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful life of the asset:

Office Furniture and Fixtures	10 years
Equipment	10 years
Vehicles	5 years
Buildings and Improvements	40 years
Leasehold Improvements (lesser of the lease term or life of the asset)	

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. Significant renewals and betterments are capitalized.

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2013

h. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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.

i. New Pronouncements

Effective for the fiscal year ending June 30, 2013, the District adopted the provisions of Governmental Accounting Standards Board (GASB), Statement No. 62, *Codification of Accounting and Financial reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63, *Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

The objective of GASBS 62 was to incorporate into the GASB authoritative literature certain accounting and financial reporting guidance that was included in Financial Accounting Standards Board (FASB) Statements and Interpretations and Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that did not conflict with or contradict GASB pronouncements.

GASBS 63 adds the components of deferred outflows of resources and deferred inflows of resources and changes the title of the statement of net assets to the statement of net position. GASBS 63 defines net position, rather than net assets, as the residual of all other elements presented in the statement of net position. The District had no deferred outflows or deferred inflows of resources at June 30, 2013.

3. CONTRACTS, AGREEMENTS AND LEASES

- a.** The District contracted with AT&T to implement an Enhanced 911 Emergency System in Stewart County, Tennessee. The billing of the District began when E-911 was operational in January 1993. AT&T's monthly charge for equipment rental and maintenance is \$2,253. This operating lease is on a month-to-month basis.
- b.** The District contracted with the Stewart County Mayor's office to maintain the E-911 database and employee dispatchers. The contract is on a month-to-month basis and covers the County's cost for the employee's wages and related benefits. The District is billed quarterly for these expenses. Since this is a cost reimbursement, the District does not record any liability for compensated absences. Accordingly, the District has classified these expenses as "Contracts with government agencies – dispatchers interfund services."
- c.** The District contracted with Greer Communications to maintain and service an enhanced 911 Emergency System in Stewart County, Tennessee. The billing of the District is annually and began July 2010. Greer Communications' current annual charge for equipment maintenance and service is \$29,389. This maintenance contract is on an annual basis.

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2013

4. CAPITAL ASSETS

Capital assets consist of the following:

	Balance June 30, 2012	Additions	Disposals	Balance June 30, 2013
<u>Business-type activities:</u>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Equipment	-	183,870	-	183,870
Total capital assets not being depreciated	<u>25,000</u>	<u>183,870</u>	<u>-</u>	<u>208,870</u>
<u>Capital assets being depreciated:</u>				
Equipment	257,725	260,670	-	518,395
Furniture and fixtures	9,231	6,695	-	15,926
Buildings	106,353	11,334	-	117,687
Vehicles	9,550	-	-	9,550
Total capital assets being depreciated	<u>382,859</u>	<u>278,699</u>	<u>-</u>	<u>661,558</u>
<u>Less accumulated depreciation</u>				
Equipment	219,547	27,735	-	247,282
Furniture and fixtures	5,420	1,502	-	6,922
Buildings	13,369	7,255	-	20,624
Vehicles	3,661	1,910	-	5,571
Total Accumulated Depreciation	<u>241,997</u>	<u>38,402</u>	<u>-</u>	<u>280,399</u>
Capital Assets, net	<u>\$ 165,862</u>	<u>\$ 424,167</u>	<u>\$ -</u>	<u>\$ 590,029</u>

Depreciation expense was \$38,402, for the year ended June 30, 2013.

Capital assets not being depreciated include a new dispatch system that was installed by the District during the fiscal year ended June 30, 2013. The cost of this system was \$183,870. The system has not been placed in service, pending approval of its use by the State of Tennessee. Once approved, this system is intended to replace current equipment leased by the District from AT&T (see Note 3).

5. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees; and natural disasters. The District has elected to obtain various insurance policies to transfer these risks to commercial insurance companies. Insurance settlements have not been in excess of insurance coverage in any of the prior three years.

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2013

6. PERFORMANCE BONDS

The chairman and treasurer of the District are bonded in the amount of \$50,000 each as required by the State.

7. BUDGET

The District prepares a budget in accordance with TCA 7-86-120. This budget is submitted to the Stewart County Executive and the County Commissioners for approval. The legal level of budgetary control, (which is the level at which management loses the ability to reapply budgeted resources from one use to another without special approval), is the line-item level.

8. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District does not have an official deposit or investment policy. Although there is no formal deposit or investment policy, the District, in order to provide a safe temporary medium for investment of the District's idle funds, invests those idle funds under the provisions of Tennessee Code Annotated 5-8-301. Under TCA 5-8-301, the District is authorized to invest in:

- a. Bonds, notes or treasury bills of the U.S. Government or other obligations guaranteed as to principal and interest by the United States or any of its agencies;
- b. Certificates of deposit and other evidence of deposit at Tennessee state or federally chartered banks and savings and loan associations;
- c. Obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself if the market value of the security itself is more than the amount of the funds invested;
- d. The Local Government Investment Pool of the State of Tennessee;
- e. The bonds of the State of Tennessee, including any revenue bond issued by any agency of the State of Tennessee;
- f. Certain nonconvertible debt securities of the federal government.

During the fiscal year, the district maintained funds in checking, money market and certificate of deposit accounts with local financial institutions. Custodial credit risk is defined as the risk that a government will not be able to recover its deposits, investments or collateral from a financial institution in the event of failure by the financial institution. The District does not have a policy addressing custodial credit risk; however, the District holds its idle funds in financial institutions who are covered by FDIC insurance and are members of the State of Tennessee collateral pool. As of June 30, 2013, the carrying amount of the District's deposits was \$212,102 and the bank balance of \$207,990 was fully insured by FDIC insurance coverage.

9. RELATED PARTY TRANSACTION

The District contracted with the Stewart County Mayor's office to maintain the E-911 database. The contract is on a month-to-month basis and covers the County's cost for the employee's wages and related benefits. The District is billed quarterly for these expenses. During the year ended June 30, 2013, the District paid Stewart County \$75,000 for these services.

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2013

10. ECONOMIC DEPENDENCY

The District is dependent on continued funding from the State of Tennessee to carry out its programs. For the fiscal year end June 30, 2013, the District received \$230,788 or 78% of its total revenues from the State of Tennessee State Emergency Communications Board.

11. PRIOR PERIOD ADJUSTMENT

Beginning net position has been restated to reflect the correction of an error in previously issued financial statements. Previously issued financial statements did not include accounts receivable in the amount of \$10,264. The effects of this error were an understatement in net position and operating income in the amount of \$10,264 as of and for the year ended June 30, 2012, respectively.

12. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The general fund incurred expenditures in excess of appropriations in the amount of \$275 during the year ended June 30, 2013. The expenditures were covered by an excess of actual revenues over budgeted amounts.

13. REPORT PRESENTATION

This report presentation follows the prescribed format of the Tennessee Emergency Communications Board.

Supplementary Information

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>OPERATING REVENUES</u>				
Emergency telephone service charge	\$ 70,100	\$ 63,163	\$ 63,056	\$ (107)
Tennessee Emergency Communications Board - shared wireless charge	31,235	31,945	32,463	518
Tennessee Emergency Communications Board - operational funding	124,145	124,182	124,182	-
Other operating revenues	41,000	44,293	44,293	-
	<u>266,480</u>	<u>263,583</u>	<u>263,994</u>	<u>411</u>
<u>OPERATING EXPENSES</u>				
Salaries and Wages:				
Administrative personnel	42,000	43,750	42,000	1,750
Part-time personnel	12,000	12,630	12,270	360
Employee Benefits:				
Social Security	3,348	3,495	3,365	130
Medicare	783	818	787	31
Unemployment compensation	270	449	401	48
Contracted Services:				
Advertising	500	351	351	-
Audit services	5,500	5,500	5,500	-
Accounting services	3,600	3,600	3,600	-
Administrative fee-service charges	2,800	2,477	2,117	360
Contracts with government agencies - dispatchers interfund services	75,000	75,000	75,000	-
Data processing	67	70	70	-
Fees paid to service providers	530	-	-	-
Janitorial services	-	-	360	(360)
Maintenance agreements	34,000	32,729	30,176	2,553
Lease/rental - communications equipment	13,522	21,421	25,667	(4,246)
Lease/rental - buildings and facilities	4,200	3,850	3,850	-
Maintenance and repairs - communications equipment	1,800	984	2,136	(1,152)
Maintenance and repairs - buildings and facilities	2,400	1,100	800	300
Maintenance and repairs - office equipment	1,000	146	146	-
Maintenance and repairs - vehicles	6,000	1,448	8	1,440
Fuel - vehicles	-	-	1,301	(1,301)
Other Contracted Services	-	-	394	(394)

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

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Supplies and Materials:				
Office supplies	1,500	339	317	22
Custodial supplies	500	84	84	-
Data processing supplies	1,500	194	194	-
Postage	50	21	21	-
Small equipment purchases	50	37	37	-
Utilities - electric	1,200	1,339	1,628	(289)
Utilities - general telephone	1,500	2,452	2,973	(521)
Utilities - cell phones and pagers	900	814	962	(148)
Other supplies and materials	1,560	2,152	2,626	(474)
Bank charges	143	95	122	(27)
Board meeting expenses	200	192	192	-
Dues & memberships	300	273	273	-
Insurance - workers compensation	2,000	2,246	3,305	(1,059)
Insurance - liability	3,000	4,105	3,047	1,058
Licenses and fees	-	5,200	6,136	(936)
Premiums on surety bonds	500	285	285	-
Training expense	-	2,923	1,274	1,649
Travel expense	-	-	-	-
Other charges	1,164	981	50	931
Depreciation	52,200	38,402	38,402	-
	-	-	-	-
Total operating expenses	277,586	271,952	272,227	(275)
	-	-	-	-
Operating income (loss)	(11,107)	(8,369)	(8,233)	136
<u>NON-OPERATING REVENUE (EXPENSE)</u>				
Interest income	2,000	1,674	2,328	654
Tennessee Communications Board - grants and reimbursements	600,000	29,850	29,850	-
	-	-	-	-
Total non operating revenue (expense)	602,000	31,524	32,178	654
CHANGE IN NET POSITION	590,893	23,155	23,945	790
NET POSITION – BEGINNING OF YEAR (as restated)	785,432	785,432	785,432	-
NET POSITION – END OF YEAR	\$ 1,376,325	\$ 808,587	\$ 809,377	\$ 790

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



THURMAN CAMPBELL GROUP, PLC
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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

Stewart County E-911 Committee
Stewart County E-911 Communications District
625 Donelson Parkway
Dover, Tennessee 37058

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 the Stewart County E-911 Communications District (the District), 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, and have issued our report thereon dated December 15, 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 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 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 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.

Thurman Campbell Group, PLC

Clarksville, TN
December 15, 2013