

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

**Jasper, Tennessee**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL DATA**

**Year Ended June 30, 2014**

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

# TABLE OF CONTENTS

	<u>P a g e</u>
<b>INTRODUCTORY INFORMATION:</b>	
Roster of management and board members	3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4-6
<b>INDEPENDENT AUDITORS' REPORT</b>	7-8
<b>FINANCIAL STATEMENTS:</b>	
Statement of net position	10-11
Statement of revenues, expenses and change in net position	12
Statement of cash flows	13-14
Notes to financial statements	15-20
<b>SUPPLEMENTARY INFORMATION:</b>	
Schedule of budget to actual	22-23
<b>INTERNAL CONTROL AND COMPLIANCE SECTION:</b>	
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	25-26

## **INTRODUCTORY INFORMATION**

**MARION COUNTY 9-1-1  
EMERGENCY COMMUNICATIONS DISTRICT  
ROSTER OF MANAGEMENT AND BOARD MEMBERS  
JUNE 30, 2014**

**MANAGEMENT:**

Jerry Don Case

Executive Director

**BOARD MEMBERS:**

Ronnie Burnett

Chairman

Steve Lamb

Secretary

Louise Powell

Treasurer

Freddie Cook

Director

Howard Cotter

Director

William Harris

Director

Lester Roberts

Director

Ray Stephens

Director

Ryan Meeks

Director

## MANAGEMENT'S DISCUSSION AND ANALYSIS

My discussion and analysis of Marion County 911 Emergency Communication District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. This should be read in conjunction with the District's financial statements, which begin on page 10.

### USING THIS ANNUAL REPORT

This annual report consists of the following financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These statements provide information about the activities of the District as a whole and present an overview of the District's finances.

### THE BALANCE SHEET AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The basic financial statements are designed to provide an overview of the District's finances. The Statement of Net Position presents information on all of the assets that the District owns and on the liabilities (debts) that the District owes. The difference between the assets and liabilities is reported as net position. Over time, income (increase in net position) or loss (decrease in net position) may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statements are prepared on the accrual basis of accounting which recognizes revenues when earned and expenses when incurred. The information contained in the Statement of Revenues, Expenses, and Changes in Net Positions can be used as a "report card" to determine if the District has been successful at meeting its financial objectives.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current assets	\$ 592,694	\$ 456,262
Capital assets	<u>1,098,148</u>	<u>899,111</u>
Total assets	1,690,842	1,355,373
Current liabilities	<u>6,849</u>	<u>7,593</u>
Net position	<u>\$1,683,993</u>	<u>\$1,347,780</u>
Summary of net position:		
Invested in capital assets	\$1,098,148	\$ 899,111
Unrestricted	<u>585,845</u>	<u>448,669</u>
Total net positions	<u>\$1,683,993</u>	<u>\$1,347,780</u>

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating revenues	\$ 310,612	\$ 312,316
Operating expenses	<u>338,366</u>	<u>296,669</u>
Operating income (loss)	(27,754)	15,647
Non-operating revenue including capital contributions	<u>363,967</u>	<u>142,813</u>
Changes in net position	336,213	158,460
Beginning net position	<u>1,347,780</u>	<u>1,189,320</u>
Ending net position	<u>\$1,683,993</u>	<u>\$1,347,780</u>

#### **ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

The fiscal year ending June 30, 2014 proved to be a financially sound year for the District. The net position increased \$336,213 over the prior year. This increase was primarily a result of capital contributions received from the Tennessee Emergency Communications Board (TECB) for upgrades and reimbursements.

The District's operating revenues were down by \$1,704 due to the continued decline in telephone service charges and changes in operational funding from the TECB. Revenues from landline telephone service charges continue to decrease as more people are relying exclusively on their cell phones as a primary means of communication. Revenues from landlines decreased an additional \$5,356 while the District's shared portion of wireless charges increased \$3,652. Operational funding from the state remained the same as the prior fiscal year.

Operating expenses increased by \$41,697. This increase resulted primarily from the depreciation of the District's service center and equipment. Overall, contract services decreased by \$5,342. Salaries and benefit expenses increased by \$1,670 or 2.22% and supplies and materials decreased \$300. Other operating expenses increased by \$10,864. This increase was created by increased insurance and travel expenses. Depreciation and amortization increased \$34,803 due to the continual upgrades of equipment and the new operations service center which opened in August 2012.

During the fiscal year ending June 30, 2014, the District received \$363,264 for grants and reimbursements. This was an increase of \$222,871 from last fiscal year. Several different types of grants were received in this fiscal year. A reimbursement grant of \$300,000 was provided by TECB for consoles and equipment in the new call center and for Next Generation 911 equipment purchases. The District received \$22,000 for upgrades or training on the Geographic Information Systems (GIS). This is \$12,000 more than in past years. Also during this past fiscal year, the TECB provided an additional \$41,264 for replacement and upgrades to Tennessee Information Public Safety (TIPS) on GIS.

## **THE DISTRICT'S NET ASSETS**

The District continues to maintain a significant net position (total net worth) which exceeds \$1,680,000 at June 30, 2014. The net position consisted of a net investment in capital assets totaling \$1,098,148. The remaining balance of net position of \$585,845 is unrestricted may be used to meet the District's ongoing obligations to citizens and creditors.

## **BUDGETARY HIGHLIGHTS**

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

Actual revenues of \$675,663 exceeded budgeted revenues by \$56,013. The District saw that actual revenues exceeded that which was budgeted for emergency telephone service charges by \$27,457. The state shared wireless charges exceeded budget by \$1,295, operational funding from the State of Tennessee was \$12,860 over budget and interest income was over budget by \$137. The District had budgeted \$349,000 for TECB grants and reimbursements; actual grants and reimbursements exceed the budgetary amount by amount \$14,264. A total of \$363,264 was received.

Actual expenses for the year were under budget by almost \$19,000. Total cost of salaries and benefits for the District were under budget by \$50, contracted services were under budget by \$20,408, supplies and materials were under budget by \$1,482, other charges were under budget by \$3,279 and depreciation and amortization expense was under budget by \$322.

## **CAPITAL ASSETS**

At June 30, 2014 the District had \$1,098,148 invested in capital assets, predominantly in telecommunications equipment. The District has capital assets totaling \$1,568,130; however, \$469,982 has been expensed through the annual provision for depreciation. The amount of the net capital assets represents an increase of \$199,037 from the prior year. During the year ended June 30, 2014, the District spent over \$300,000 on new recording systems, repeaters, consoles and a telephone system. Land adjacent to the service was also purchased for additional parking and storage. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

## **ECONOMIC FACTORS AND PLANNING FOR FUTURE NEEDS**

The District is continually discussing ways to improve its contingency plans. During 2014, a fourth dispatch console was added to accommodate future growth. Plans for 2014-2015 include updating the mobile 911 unit and providing a safe permanent storage site for this unit. With the recent purchases of the Next Generation 911 equipment, we are on the leading edge of current emergency communications technology and are poised for the future growth of Marion County.

Jerry Don Case  
Executive Director



## INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of  
Marion County 9-1-1 Emergency Communications District:**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Marion County 9-1-1 Emergency Communications District, a component unit of Marion County, Tennessee, as of and for the year ended June 30, 2014, which comprise the statement of net position, the related statement of revenue, expenses and change in net position and statement of cash flows for the year then ended, and the related notes to the financial statements.

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

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Marion County 9-1-1 Emergency Communications District as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Marion County 9-1-1 Emergency Communications District's financial statements. The accompanying information listed in the table of contents as other supplementary information is presented for additional analysis and is not a required part of the financial statements.

The schedule of budget to actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014, on our consideration of Marion County 9-1-1 Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Johnson, Niekey & Meucham, P.C.*

December 1, 2014

## **FINANCIAL STATEMENTS**

**MARION COUNTY 9-1-1  
EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

**ASSETS**

**CURRENT ASSETS:**

Cash	\$	176,813
Certificates of deposit		400,285
Accounts receivable, state wireless revenue		11,960
Interest receivable		555
Prepaid expenses		<u>3,081</u>
 Total current assets		 <u>592,694</u>

**CAPITAL ASSETS:**

Land		43,223
Furniture and fixtures		73,333
Office equipment		74,420
Communications equipment		1,042,928
Vehicles		46,171
Buildings and improvements		<u>288,055</u>
		1,568,130
Less accumulated depreciation		<u>469,982</u>
 Capital assets, net		 <u>1,098,148</u>
 Total assets		 <u><u>\$ 1,690,842</u></u>

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

## LIABILITIES AND NET POSITION

### **CURRENT LIABILITIES:**

Accounts payable	\$ 3,246
Payroll taxes withheld and accrued	1,270
Accrued retirement	<u>2,333</u>
 Total liabilities	 <u>6,849</u>

### **NET POSITION:**

Net investment in capital assets	1,098,148
Unrestricted	<u>585,845</u>
 Total net position	 <u>1,683,993</u>

Total liabilities and net position	<u><u>\$ 1,690,842</u></u>
------------------------------------	----------------------------

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

**MARION COUNTY 9-1-1  
EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGE IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014**

**REVENUES:**

Emergency telephone service charges	\$ 95,457
Tennessee Emergency Communications Board - Shared wireless charge	72,295
Operational funding	<u>142,860</u>
	<u>310,612</u>

**EXPENSES:**

Salaries and benefits	78,521
Contracted services	70,895
Supplies and materials	18,988
Other expenses	26,284
Depreciation and amortization	<u>143,678</u>
	<u>338,366</u>

**OPERATING LOSS** (27,754)

**NONOPERATING REVENUES AND (EXPENSES):**

Interest income	1,537
Tennessee Emergency Communications Board - Grants and reimbursements	63,264
Loss on disposal of property	<u>(834)</u>

**NET REVENUE BEFORE CAPITAL CONTRIBUTIONS** 36,213

**CAPITAL CONTRIBUTIONS:**

Tennessee Emergency Communications Board - Grants and reimbursements	<u>300,000</u>
---	----------------

**CHANGE IN NET POSITION** 336,213

**NET POSITION:**

Beginning	<u>1,347,780</u>
Ending	<u>\$ 1,683,993</u>

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

**MARION COUNTY 9-1-1  
EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts for emergency communication services	\$ 167,596
Receipts for operational funding	142,860
Payments to or for employees	(78,408)
Payments for goods and services	<u>(118,372)</u>

Net cash provided by operating activities	<u>113,676</u>
---	----------------

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

Purchase of capital assets	(343,548)
State capital grants	<u>300,000</u>

Net cash used by capital and related financing activities	<u>(43,548)</u>
---	-----------------

**CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:**

State grants	<u>63,264</u>
--------------	---------------

Net cash provided by capital and related financing activities	<u>63,264</u>
---	---------------

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest received	1,637
Net change in certificates of deposit	<u>(90,726)</u>

Net cash used by investing activities	<u>(89,089)</u>
---------------------------------------	-----------------

<b>NET INCREASE IN CASH</b>	<b>44,303</b>
-----------------------------	---------------

**CASH:**

Beginning	<u>132,510</u>
-----------	----------------

Ending	<u><u>\$ 176,813</u></u>
--------	--------------------------

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

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

Operating loss	\$ (27,754)
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation and amortization	143,678
(Increase) decrease in operating assets:	
Accounts receivable	(156)
Prepaid expenses	(1,347)
Increase (decrease) in operating liabilities:	
Accounts payable	(858)
Payroll withholdings and accruals	<u>113</u>
 Net cash provided by operating activities	 <u>\$ 113,676</u>

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

**MARION COUNTY 9-1-1  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**Organization -**

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

**Financial reporting entity -**

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

**Basis of accounting -**

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

**Estimates -**

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

**Cash -**

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

**MARION COUNTY 9-1-1  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

**Accounts receivable -**

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

**Capital assets -**

The District capitalizes significant purchases of capital assets, which are recorded at cost. Depreciation is provided over the estimated useful lives of the individual assets by the straight-line method. Depreciation and amortization expense for the year ended June 30, 2014, was \$143,678.

**Deferred outflows/inflows of resources -**

Under GASB Statement Number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, GASB has defined deferred outflows of resources and deferred inflows of resources as follows:

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

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

As of June 30, 2014, the District did not have any deferred outflows of resources or any deferred inflows of resources. This statement had no significant impact on the District.

**(2) BUDGETARY CONTROL:**

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

**MARION COUNTY 9-1-1  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**(3) COMPENSATED ABSENCES:**

The District has only one employee whose accrued vacation must be taken by the last day of the fiscal year; therefore, there is no unused vacation time available at June 30, 2014. The employee is provided 96 hours of annual sick time, which may be accumulated up to 90 days; because unused sick time is nonvesting and is not paid upon termination, no liability is recorded.

**(4) CHANGES IN CAPITAL ASSETS:**

Changes in capital assets for the year ended June 30, 2014, are as follows -

	<u>Beginning</u>	<u>Additions</u>	<u>Reclasses &amp; Retirements</u>	<u>Ending</u>
<b>Non-depreciable Assets:</b>				
Land	\$ 6,200	\$ 37,023	\$ -	\$ 43,223
<b>Depreciable Assets:</b>				
Furniture and fixtures	78,289	-	(4,956)	73,333
Office equipment	66,030	16,151	(7,761)	74,420
Vehicles	46,171	-	-	46,171
Communications equipment	1,005,715	290,374	(253,161)	1,042,928
Building and improvements	288,055	-	-	288,055
	<u>1,490,460</u>	<u>343,548</u>	<u>(265,878)</u>	<u>1,568,130</u>
<b>Accumulated depreciation:</b>				
Furniture and fixtures	14,987	7,372	(4,278)	18,081
Office equipment	20,802	12,194	(7,368)	25,628
Vehicles	26,094	3,012	-	29,106
Communications equipment	521,757	112,378	(252,631)	381,504
Building and improvements	7,707	7,956	-	15,663
	<u>591,347</u>	<u>142,912</u>	<u>(264,277)</u>	<u>469,982</u>
<b>Net capital assets</b>	<u>\$ 899,113</u>	<u>\$ 200,636</u>	<u>\$ (1,601)</u>	<u>\$1,098,148</u>

**MARION COUNTY 9-1-1  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**(5) RETIREMENT PLAN:**

The District provides a defined contribution money purchase pension plan for all full-time employees who have one year of continuous service. No employee contributions are required. The District contributes 3% of eligible compensation, subject to amendment to the plan as approved by the District's Board. The "6-year graded" vesting schedule is used. Retirement expense included in salaries and benefits was \$1,669. Plan assets are maintained by an outside trustee. Each employee directs the investments of his individual account.

**(6) COMMITMENT FOR PROVIDER SERVICES:**

For the year ending June 30, 2014, AT&T was the District's provider for automated number ID, number location and routing equipment. A previous five year agreement ended in April 2009, and is continuing on a month to month basis. For the year ended June 30, 2014, the expense related to this agreement was \$13,998.

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

**(7) OPERATING LEASES:**

The District leases antenna and transmittal space for \$518 per month under a month to month operating lease agreement. The agreement provides for annual, negotiated increases, based on increases in the lessor's costs of operating and maintaining the rental site. Rent expense was for the year ended June 30, 2014, was \$5,581.

The District leases office equipment under an operating lease with monthly rental payments of \$99 per month plus some additional charges for excess usage. Rent expense for the year was \$3,006.

**MARION COUNTY 9-1-1  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**(8) CASH AND INVESTMENTS:**

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

At June 30, 2014, the District's cash and investments consist of the following -

	<u>Weighted Average Maturity (Years)</u>	<u>Cost Basis</u>
Cash in demand deposit accounts	0.00	\$ 176,813
Certificates of deposit	<u>0.69</u>	<u>400,285</u>
Total	<u>0.48</u>	<u>\$ 577,098</u>

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

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

**MARION COUNTY 9-1-1  
EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**(8) CASH AND INVESTMENTS** (Continued):

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

At June 30, 2014, investments in certificates of deposit consist of the following -

<u>Financial Institution</u>	<u>Type of Instrument</u>	<u>Interest</u>	<u>Maturity Date</u>	<u>Amount</u>
First Jackson Bank	Certificate	0.60%	May 12, 2015	\$ 200,000
First Jackson Bank	Certificate	0.60%	May 24, 2015	40,240
Peoples State Bank	Certificate	0.75%	February 26, 2015	56,320
Citizens Tri-County Bank	Certificate	0.30%	October 6, 2014	<u>103,725</u>
				<u>\$ 400,285</u>

Subsequent to June 30, 2014, the certificate maturing on October 6, 2014, was invested in a new certificate.

**(9) RISK MANAGEMENT:**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

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

**(10) SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through December 1, 2014, the date which these financial statements were available for issue.

## **SUPPLEMENTARY INFORMATION**

**MARION COUNTY 9-1-1  
EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget To Actual Variance</u>
<b>Emergency telephone service charges</b>	\$ 103,800	\$ 68,000	\$ 95,457	\$ 27,457
<b>State Emergency Communications Board -</b>				
Shared wireless charge	67,500	71,000	72,295	1,295
Operational funding	141,720	130,000	142,860	12,860
<b>State grants</b>	10,000	349,000	363,264	14,264
<b>Interest income</b>	1,700	1,400	1,537	137
<b>Other income</b>	-	250	-	(250)
	<u>324,720</u>	<u>619,650</u>	<u>675,413</u>	<u>55,763</u>
<b>Total revenues</b>				
<b>Salaries and Benefits -</b>				
Salaries	54,190	54,790	54,790	-
Payroll taxes	4,173	4,227	4,219	8
Group insurance	17,472	17,874	17,843	31
Retirement	1,624	1,680	1,669	11
	<u>77,459</u>	<u>78,571</u>	<u>78,521</u>	<u>50</u>
<b>Contracted Services -</b>				
Audit services	5,100	5,100	5,000	100
Accounting services	5,400	5,400	5,310	90
Administrative fees	52	53	47	6
Private agency contracted services	2,100	2,100	697	1,403
911 service provider fees	15,000	15,000	13,998	1,002
Legal services	5,400	5,400	4,380	1,020
Maintenance agreements	43,200	36,764	28,334	8,430
Communications equipment rental	3,600	5,600	5,581	19
Pest control	360	650	530	120
Office equipment rental	2,400	3,200	3,006	194
Maintenance and repairs -				
Communication equipment	1,800	1,800	1,086	714
Vehicle	500	1,300	1,008	292
Fuel - vehicle	2,000	2,500	1,918	582
	<u>86,912</u>	<u>84,867</u>	<u>70,895</u>	<u>13,972</u>

**MARION COUNTY 9-1-1  
EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget To Actual Variance</u>
<b>Supplies and Materials -</b>				
Office supplies	\$ 2,400	\$ 2,400	\$ 1,985	\$ 415
Custodial supplies	1,200	2,400	2,110	290
Postage	300	300	224	76
Utilities	8,100	9,930	9,645	285
Uniforms and shirts	200	200	168	32
Telephone	<u>5,040</u>	<u>5,240</u>	<u>4,856</u>	<u>384</u>
	<u>17,240</u>	<u>20,470</u>	<u>18,988</u>	<u>1,482</u>
<b>Other -</b>				
Dues and memberships	540	600	305	295
Employee testing	225	225	-	225
Insurance	5,100	8,356	7,785	571
Legal notices	180	250	128	122
Premium on surety bonds	660	660	574	86
Training	1,800	3,600	3,332	268
Travel	3,240	9,800	9,782	18
Miscellaneous	<u>5,200</u>	<u>5,200</u>	<u>4,378</u>	<u>822</u>
	<u>16,945</u>	<u>28,691</u>	<u>26,284</u>	<u>2,407</u>
<b>Depreciation and amortization</b>	<u>114,000</u>	<u>144,000</u>	<u>143,678</u>	<u>322</u>
<b>Loss on disposal of capital assets</b>	<u>-</u>	<u>1,000</u>	<u>834</u>	<u>166</u>
<b>Total expenses</b>	<u>312,556</u>	<u>357,599</u>	<u>339,200</u>	<u>18,399</u>
	<u>\$ 12,164</u>	<u>\$ 262,051</u>	<u>\$ 336,213</u>	<u>\$ 74,162</u>

**INTERNAL CONTROL AND COMPLIANCE SECTION**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors of  
Marion County 9-1-1 Emergency Communications District:**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Marion County 9-1-1 Emergency Communications District, a component unit of Marion County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Marion County 9-1-1 Emergency Communications District's basic financial statements, and have issued our report thereon dated December 1, 2014.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Johnson, Niskey & Menckson, P.C.*

December 1, 2014