

**Clarksville Montgomery County E-911  
(A Component Unit)  
Financial Statements  
June 30, 2014**

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

<b><u>County Members</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Dalton Harrison	Director	November 2015
John Smith	Director	November 2016
Elisabeth Henley	Board Chair	November 2017
<b><u>City Members</u></b>		
Suzanne Uffelman	Director	November 2015
Jimmy Winters	Vice Chair	November 2016
Geno Grubbs	Director	November 2017
<b><u>Other Members</u></b>		
John Fuson	Sheriff-Chairman	Coterminous
Jimmie Edwards	911 User Board-Chairman	Coterminous
Al Ansley	Police Chief	Coterminous
<b><u>Ex Officio</u></b>		
John Stanley	Clarksville Fire and Rescue	Non-Voting Member
<b><u>Principal Employees</u></b>		
Betty Miller	Supervisor	Non-Voting Member

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

As management of the Clarksville Montgomery County E-911 (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014. 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 \$3,205,700 (net position).
- The District's total net position increased by \$78,038, primarily due to a decrease in interest expense paid on the debt related to the financing of the E911 building.
- As of the close of the current fiscal year, the District's enterprise fund reported ending fund balance of \$3,205,700, including a decrease of \$490,063 due to operations. Approximately 51 percent of this total amount, or \$1,647,726, is available for spending at the government's discretion (unrestricted).
- The District's total debt decreased by \$80,000, or 3% during the current fiscal year. The key factor in this decrease was the refinance of long-term debt secured by the building.

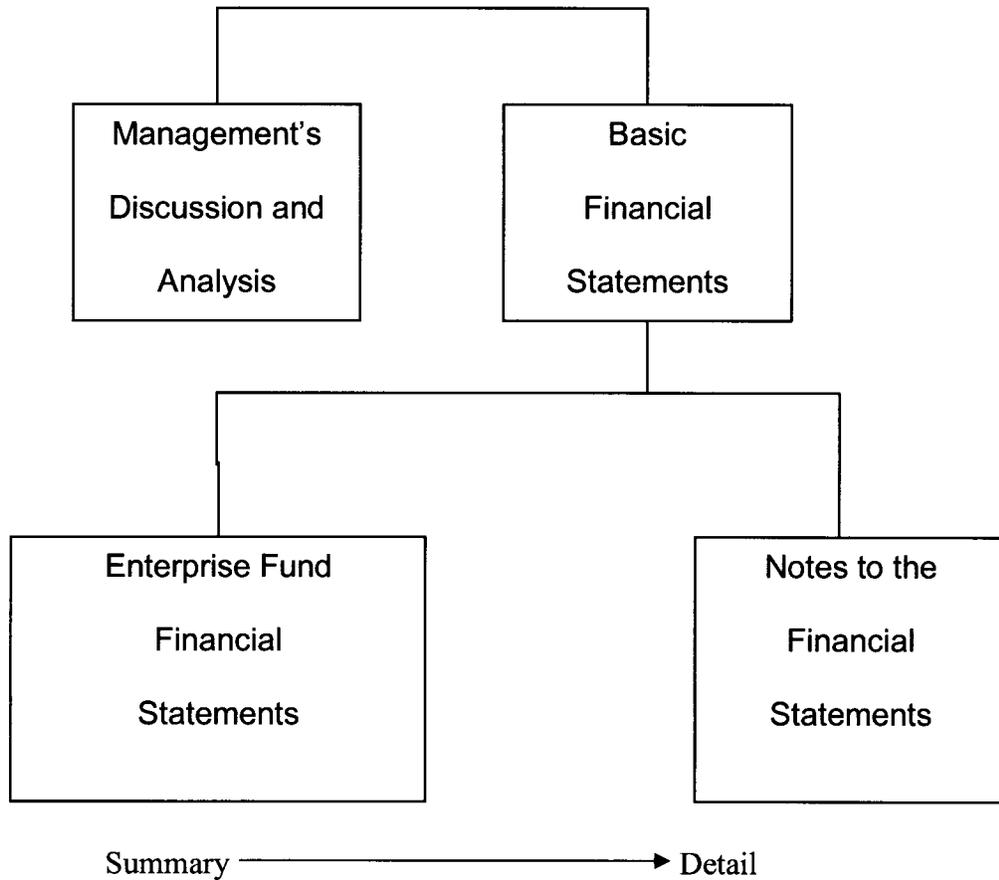
### **Overview of the Financial Statements**

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

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of

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

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.

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, Notes to the Financial Statements explain in detail some of the data contained in the basic financial 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.

**Proprietary Funds** – The District has one proprietary fund. The District uses its enterprise fund to account for its operations.

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

**Financial Analysis of the District's Funds**

**The Clarksville Montgomery County E-911's Statement of Net Position  
Figure 2**

	Enterprise Fund	
	Activities	
	2014	2013
<b>Assets</b>		
Current & other assets	1,917,826	1,644,872
Capital assets, net	4,292,975	4,458,080
Total assets	6,210,801	6,102,952
<b>Liabilities</b>		
Current Liabilities	671,296	394,255
Other liabilities & inflows	2,333,805	2,581,035
Total liabilities	3,005,101	2,975,290
<b>Net assets:</b>		
Invested in capital assets, net of related debt	1,557,974	1,643,078
Unrestricted	1,647,726	1,484,584
Total net assets	3,205,700	3,127,662

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the District exceeded liabilities by \$3,205,700, and net position increased by \$78,038 for the fiscal year ended June 30, 2014. However, 48% reflects the District's net 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 \$1,647,726 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.
- Refinancing of the debt that is secured by the E911 building.

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

**Clarksville Montgomery County E-911 Changes in Net Position  
Figure 3**

	Enterprise Fund Activities	
	2014	2013
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 973,805	\$ 1,245,444
Operational Funding	587,786	402,675
Grants and contributions	636,035	908,022
Other	183,742	181,627
Total revenues	2,381,368	2,737,768
<b>Expenses:</b>		
Operating Expenses	2,230,880	2,245,955
Non Operating Expenses	72,450	606,642
Total expenses	2,303,330	2,852,597
Increase (Decrease)in net position	78,038	(114,829)
Net assets, July 1	3,127,662	3,242,491
Net assets, June 30	\$ 3,205,700	\$ 3,127,662

**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.

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, 2014, totals \$4,292,975 (net of accumulated depreciation). These assets include buildings and improvements, furniture and fixtures, communications equipment and other fixed assets (figure 4).

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

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

**District's Capital Assets  
(Net accumulated depreciation)**

**Figure 4**

	Enterprise Fund Activities	
	2014	2013
Building & Improvements	3,989,135	4,122,099
Furniture & Fixtures	-	-
Communication Equipment	290,252	315,692
Other Fixed Assets	13,588	20,289
Total	\$ 4,292,975	\$ 4,458,080

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

**Long-term Debt:** As of June 30, 2014, the District had total lease payable outstanding of \$2,735,000.

**District's Outstanding Debt  
Figure 5**

	Enterprise Fund Activities	
	2014	2013
Lease payable	2,735,000	2,815,000
Total	2,735,000	2,815,000

The District's total debt decreased by \$80,000 during the past fiscal year, due to the refinancing of debt due to the City.

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

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

**Economic Factors and Next Year's Budgets and Rates**

**Budget Highlights for the Fiscal Year Ending June 30, 2014**

**Enterprise Fund:** Revenues budgeted in fiscal year 2014 were less than the budget notably in the emergency telephone service charges. While continued use of cell phones as primary communication in households increase, 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 the business type activities of the Clarksville Montgomery County E-911, a component unit of Montgomery County, TN, as of and for the year ended June 30, 2014, 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 the 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 business type activities of Clarksville Montgomery County E-911 as of June 30, 2014, 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 2-8 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, 2014, 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, 2014

**Clarksville Montgomery County E-911  
(A Component Unit)  
Statement of Net Position  
June 30, 2014**

**ASSETS**

<b>Current Assets</b>	
Cash	\$ 1,740,383
Accounts Receivable	45,217
Due from Tennessee Emergency Communications Board	132,226
<b>Total Current Assets</b>	<u>1,917,826</u>
 <b>Capital Assets</b>	
Building and Improvements	5,314,855
Communications Equipment	390,528
Other Capital Assets	52,120
<b>Total Capital Assets</b>	<u>5,757,503</u>
Accumulated Depreciation	<u>(1,464,528)</u>
<b>Net Capital Assets</b>	<u>4,292,975</u>
<b>Total Assets</b>	<u>\$ 6,210,801</u>

**LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

<b>Current Liabilities</b>	
Accounts Payable	\$ 18,952
Accrued Payroll	42,228
Payroll Deductions Payable	11,515
Compensated Absences Payable	68,141
Lease Payable to City - Current	525,000
Accrued Interest Payable	5,460
<b>Total Current Liabilities</b>	<u>671,296</u>
 <b>Noncurrent Liabilities</b>	
Lease Payable to City - Long-Term	2,210,000
Net Other Postemployment Benefits Obligation	43,805
<b>Total Noncurrent Liabilities</b>	<u>2,253,805</u>
<b>Total Liabilities</b>	<u>2,925,101</u>
 <b>Deferred Inflows of Resource</b>	
Deferred Inflow from Debt Reduction	80,000
<b>Total Deferred Inflows of Resources</b>	<u>80,000</u>
 <b>Net Position</b>	
Net Investment in Capital Assets	1,557,974
Unrestricted	1,647,726
<b>Total Net Position</b>	<u>3,205,700</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 6,210,801</u>

**Clarksville Montgomery County E-911  
(A Component Unit)  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2014**

Operating Revenue	
Emergency Telephone Service Charge	\$ 532,396
Tennessee Emergency Communications Board - Shared Wireless Charge	441,409
Tennessee Emergency Communications Board - Operational Funding	587,786
Rental Income	178,615
Miscellaneous Income	611
Total Operating Revenues	<u>1,740,817</u>
Operating Expenses	
Salaries and Wages (see Exhibit 1)	1,172,596
Employee Benefits (see Exhibit 2)	489,247
Contracted Services (see Exhibit 3)	196,942
Supplies and Materials (see Exhibit 4)	94,152
Other Charges (see Exhibit 5)	70,437
Depreciation	207,506
Total Operating Expenses	<u>2,230,880</u>
Operating Income (Loss)	<u>(490,063)</u>
Nonoperating Revenues and (Expenses)	
Interest Income	4,516
Contributions from Primary Government	444,995
Tennessee Emergency Communications Board - Grants and Reimbursements	159,774
Interest Expense	(70,350)
Loss on Disposal of Property	(2,100)
Total Nonoperating Revenues and (Expenses)	<u>536,835</u>
Income before Capital Contribution	<u>46,772</u>
Capital Contributions	
Capital Contributions from TECB	31,266
Total Capital Contributions	<u>31,266</u>
Increase (Decrease) in Net Position	78,038
Net Position, Beginning of Year	3,127,662
Net Position, End of Year	<u>\$ 3,205,700</u>

See notes to financial statements

**Clarksville Montgomery County E-911  
(A Component Unit)  
Statement of Cash Flows  
For the Year Ended June 30, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Surcharges and Other Revenues	\$ 1,574,777
Cash Payments for Payroll, Taxes and Benefits	(1,641,177)
Cash Payments to Suppliers for Goods and Services	(357,845)
Other Operating Revenue	611
Rental Income	178,615
Net Cash Provided by (Used in) Operating Activities	<u>(245,019)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Contributions from Primary Government	444,995
Grants/Reimbursements TECB	159,774
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>604,769</u>

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

Purchases of Capital Assets	(44,501)
Capital Contribution from TECB	31,266
Interest Paid on Long-Term Debt	(64,890)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(78,125)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received	4,516
Net Cash Provided by (Used In) Investing Activities	<u>4,516</u>

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

286,141

**CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD**

1,454,242

**CASH AND CASH EQUIVALENTS AT END OF PERIOD**

\$ 1,740,383

**CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (490,063)
Depreciation	207,506
(Increase) decrease in accounts receivable	15,643
(Increase) decrease in due from TECB	(2,459)
Increase (decrease) in accounts payable	3,686
Increase (decrease) in OPEB obligations	17,770
Increase (decrease) in payroll deductions	(2,690)
Increase (decrease) in compensated absences	4,877
Increase (decrease) in accrued payroll	711
Total Adjustments	<u>245,044</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (245,019)</u>

**NONCASH INVESTING AND FINANCING ACTIVITIES**

Net Asset Retired - Recorder	\$ 2,100
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Deferred Inflows from Debt Restructuring	\$ 80,000
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**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 and 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.

The District's financial statements have been prepared in accordance with generally accepted accounting principles and in conformity with all applicable GASB pronouncements.

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

**Note 1 - Summary of Significant Accounting Policies-continued**

**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.

The major sources of operating revenue are customer service charges, shared wireless charges and operating subsidies. There is also other income that is considered substantial.

(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.

(4) Other Income

The District also receives rent from the City and County on the 911 building as well as compensation for dispatch services provided from the County.

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.

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. As of June 30, 2014 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 from other than the TECB is concentrated with two vendors. Both vendors are pass-thru entities that collect and forward wireless and land line collections from customers in Montgomery 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 over the capitalization amount 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. 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.

**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

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

**Note 1 - Summary of Significant Accounting Policies-continued**

**Leave Policies**

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 \$4,516 was allocated to the District during the current year.

**Deferred Inflows**

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of revenue until that time.

**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 \$1,740,383.

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, 2014, 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, 2014:

	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Carrying Amount</b>	<b>Bank Balance</b>
Cash: Held in Pooled Checking	n/a	variable	<u>\$1,740,383</u>	<u>\$1,749,146</u>

**Note 3 - Accounts Receivable**

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

AT&T	\$ 31,002
Other Service Providers	13,585
Miscellaneous	630
Due From TECB	<u>132,226</u>
Total	<u>\$ 177,443</u>

**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, 2014:

	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2014</b>
Buildings and Improvements	\$ 5,314,855	\$ -	\$ -	\$ 5,314,855
A/D - Buildings and Improvements	(1,192,756)	(132,964)	-	(1,325,720)
Furniture and Fixtures	-	-	-	-
A/D - Furniture and Fixtures	-	-	-	-
Office Equipment	-	-	-	-
A/D - Office Equipment	-	-	-	-
Communications Equipment	367,022	44,501	(20,995)	390,528
A/D - Communications Equipment	(51,330)	(67,841)	18,895	(100,276)
Other Capital Assets	52,120	-	-	52,120
A/D - Other Capital Assets	<u>(31,831)</u>	<u>(6,701)</u>	<u>-</u>	<u>(38,532)</u>
Net Property and Equipment	<u>\$ 4,458,080</u>	<u>\$ (163,005)</u>	<u>\$ (2,100)</u>	<u>\$ 4,292,975</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, 2013 to June 30, 2015 at \$6,533/month. In addition, the lessee signed a new one year agreement from July 1, 2013 to June, 30, 2014 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 \$3,710/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, 2013 through June 30, 2014 at 37,083/month. There were no amounts due to or from Montgomery County at June 30, 2014.

Finally, the City of Clarksville signed a one year agreement from July 1, 2013 through June 30, 2014 to lease a portion of the 911 building at \$4,546/month.

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

**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, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/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, 2014 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, 2014, Montgomery County 911 Emergency Communications District's annual pension cost of \$135,919 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.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$135,919	100.00%	\$0.00
June 30, 2013	\$131,080	100.00%	\$0.00
June 30, 2012	\$127,272	100.00%	\$0.00

**FUNDED STATUS AND FUNDING PROGRESS**

As of July 1, 2013, the most recent actuarial valuation date, the plan was 89.38 percent funded. The actuarial accrued liability for benefits was \$3.02 million, and the actuarial value of assets was \$2.70 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.32 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.08 million, and the ratio of the UAAL to the covered payroll was 29.80 percent.

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.

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

**Note 6 – Retirement Plan-continued**

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, 2013	\$2,696	\$3,016	\$320	89.38%	\$1,075	29.80%
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%

**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 reimbursing the City 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 amount of the bond payable still outstanding for the City is recorded on the District's books.

In 2014, the City reissued these bonds. The bonds were reissued at a lower interest rate and at a premium which reduced the City's debt obligation by \$80,000. See Note 8.

The interlocal agreement calls for the payments of the debt service to be due annually on June 1 and December 1 until 2022. The interest rate varies on this debt from 3% - 4% based on the rate of interest paid by the City on the bond issue.

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u>	<u>Lease Payable</u>	
	<u>Principal</u>	<u>Interest</u>
6/30/2015	\$ 525,000	\$ 88,213
6/29/2016	285,000	72,100
6/29/2017	295,000	60,700
6/30/2018	305,000	48,900
6/30/2019	315,000	39,750
Thereafter	1,010,000	61,350
Total	<u>\$ 2,735,000</u>	<u>\$ 371,013</u>

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

**Note 7 – Long-Term Debt-continued**

Long-Term debt for the year ended June 30, 2014 is as follows:

	<u>6/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/14</u>	<u>Due Within One Year</u>
Due to City of Clarksville	\$2,815,000	\$ -	\$ (80,000)	\$2,735,000	\$ 525,000
<b>Total</b>	<u>\$2,815,000</u>	<u>\$ -</u>	<u>\$ (80,000)</u>	<u>\$2,735,000</u>	<u>\$ 525,000</u>

The total interest incurred on these liabilities for the year ending June 30, 2014 was \$70,350. The amount due within one year includes \$260,000 billed by the city of Clarksville in July 2014 and \$265,000 due on June 1 of 2015. The July 2014 billing was previously scheduled to be billed in June of 2014, but was postponed due to the refinancing of the City's underlying debt.

**Note 8 – Deferred Inflows**

In 2014, the City reissued the bonds issued for the construction of the emergency communications building. The bonds were reissued at a lower interest rate and at a premium which reduced the City's debt obligation by \$80,000. Accordingly, the City passed through the debt reduction to the District. This reduction is reported on the Statement of Net Position as deferred inflows and is being recorded as a \$10,000 per year reduction in interest expense over the remaining life of the bonds beginning June 30, 2015.

**Note 9 - Economic Dependency**

As of and for the year ended June 30, 2014, the District has the following balances and transactions with respect to major customers:

	<u>Revenues</u>	<u>A/R</u>
TECB	\$ 1,220,235	\$ 132,226
AT&T	\$ 406,347	\$ 31,002

**Note 10 - 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.

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

**Note 10 - Other Postemployment Benefits (OPEB) – continued**

**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	\$ 20,449
Interest on the Net OPEB Obligation	1,041
Adjustment on Annual Required Contributions	(1,025)
Annual OPEB Cost	20,465
Amount of Contribution	(2,695)
Increase/Decrease in Net OPEB Obligation	17,770
Net OPEB Obligation, July 1, 2013	26,035
 Net OPEB Obligation, June 30, 2014	 \$ 43,805

Fiscal Year	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6/30/2014	Emergency Communications District	\$ 20,465	13.17%	\$ 43,805
6/30/2013	Emergency Communications District	\$ 14,814	1.73%	\$ 26,035
6/30/2012	Emergency Communications District	\$ 13,674	1.73%	\$ 11,477

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

**Note 10 - Other Postemployment Benefits (OPEB) – continued**

**Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2014, was as follows:

Actuarial Valuation Date	<u>7/1/2014</u>
Actuarial Accrued Liability (AAL)	\$ 167,598
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	167,598
Actuarial Value of Assets as a Percentage of AAL	0.00%
Covered Payroll	\$ 1,125,349
Unfunded Actuarial Accrued Liability as a % of Covered Payroll	14.89%

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 11 – Subsequent Events**

Subsequent events have been evaluated through December 19, 2014, 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, 2014**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE OVER (UNDER)
<b>Operating Revenues</b>				
Emergency Telephone Service Charge	\$ 1,000,000	\$ 1,000,000	\$ 532,396	\$ (467,604)
TECB - Shared Wireless Charge	406,000	406,000	441,409	35,409
TECB - Operational Funding	-	345,095	587,786	242,691
Rental Income	176,575	176,575	178,615	2,040
Miscellaneous Income	300	5,595	611	(4,984)
<b>Total Operating Revenues</b>	<b>1,582,875</b>	<b>1,933,265</b>	<b>1,740,817</b>	<b>(192,448)</b>
<b>Operating Expenses</b>				
<b>Salaries and Wages</b>				
Director	68,921	68,921	68,906	(15)
Dispatchers	1,045,580	1,045,580	998,170	(47,410)
Maintenance Personnel	70,776	70,776	64,533	(6,243)
Overtime Pay	35,700	40,995	40,987	(8)
<b>Total Salaries and Wages</b>	<b>1,220,977</b>	<b>1,226,272</b>	<b>1,172,596</b>	<b>(53,676)</b>
<b>Employee Benefits</b>				
Social Security	74,640	74,640	68,190	(6,450)
Medicare	17,457	17,457	15,947	(1,510)
Life Insurance	1,508	1,508	885	(623)
Medical Insurance	282,099	282,099	249,131	(32,968)
Unemployment Compensation	7,500	7,500	1,298	(6,202)
Retirement Contributions	147,113	147,113	136,026	(11,087)
Other Postemployment Benefits	-	-	17,770	17,770
Other Fringe Benefits	672	672	-	(672)
<b>Total Employee Benefits</b>	<b>530,989</b>	<b>530,989</b>	<b>489,247</b>	<b>(41,742)</b>
<b>Contracted Services</b>				
Addressing/Mapping	-	25,000	15,000	(10,000)
Audit Services	9,925	9,925	9,700	(225)
Fees Paid to Service Providers	-	1,500	901	(599)
Legal Services	3,000	3,000	4,932	1,932
Lease/Rental - Communications Equipment	81,600	81,600	69,480	(12,120)
Lease/Rental - Office Equipment	6,400	6,400	3,240	(3,160)
Maintenance and Repairs - Communication Equipment	74,100	86,760	72,697	(14,063)
Maintenance and Repairs - Buildings and Facilities	23,000	23,000	18,965	(4,035)
Maintenance and Repairs - Office Equipment	550	550	-	(550)
Other Contracted Services	-	4,340	2,027	(2,313)
<b>Total Contracted Services</b>	<b>198,575</b>	<b>242,075</b>	<b>196,942</b>	<b>(45,133)</b>
<b>Supplies and Materials</b>				
Office Supplies	5,000	5,000	1,495	(3,505)
Custodial Supplies	10,000	10,000	5,355	(4,645)
Data Processing Supplies	2,000	2,000	317	(1,683)
Small Equipment Purchases	-	6,000	-	(6,000)
Utilities - Electric	62,000	62,000	61,297	(703)
Utilities - Water and Sewer	4,000	4,000	2,120	(1,880)
Utilities - General Telephone	22,000	22,000	20,492	(1,508)
Other Supplies and Materials	12,000	11,198	3,076	(8,122)
<b>Total Supplies and Materials</b>	<b>\$ 117,000</b>	<b>\$ 122,198</b>	<b>\$ 94,152</b>	<b>\$ (28,046)</b>

**Clarksville Montgomery County E-911  
(A Component Unit)  
Budgetary Comparison Schedule-continued  
For the Year Ended June 30, 2014**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE OVER (UNDER)
Operating Expenses (continued)				
Other Charges				
Dues and Memberships	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Insurance - Workers Compensation	12,000	12,000	-	(12,000)
Insurance - Liability	25,000	25,000	23,899	(1,101)
Insurance - Buildings and Contents	8,000	8,000	7,765	(235)
Licenses and Fees	200	200	55	(145)
Premiums on Surety Bonds	450	450	405	(45)
Public Education	2,500	2,500	2,045	(455)
Service Awards	-	842	841	(1)
Training Expenses	40,000	40,960	26,528	(14,432)
Trustee Commission	19,000	19,000	8,899	(10,101)
Other Charges	-	13,000	-	(13,000)
Total Contracted Services	<u>109,650</u>	<u>124,452</u>	<u>70,437</u>	<u>(54,015)</u>
Depreciation Expense	212,000	212,000	207,506	(4,494)
Total Operating Expenses	<u>2,389,191</u>	<u>2,457,985</u>	<u>2,230,880</u>	<u>(227,105)</u>
Operating Income (Loss)	(806,316)	(524,721)	(490,063)	34,657
Nonoperating Revenues				
Interest Income	2,600	2,600	4,516	1,916
Contributions from Primary Government	460,475	477,473	444,995	(32,478)
TECB - Grants and Reimbursements	97,000	130,654	159,774	29,120
Total Nonoperating Revenues	<u>560,075</u>	<u>610,727</u>	<u>609,285</u>	<u>(1,442)</u>
Nonoperating Expenses				
Interest Expense	149,700	149,700	70,350	(79,350)
Loss on Disposal of Property	-	-	2,100	2,100
Total Nonoperating Expenses	<u>149,700</u>	<u>149,700</u>	<u>72,450</u>	<u>(77,250)</u>
Income Before Capital Contribution	(395,941)	(63,694)	46,772	110,466
Capital Contributions				
Capital Contribution - TECB	345,095	-	31,266	31,266
Total Capital Contributions	<u>345,095</u>	<u>-</u>	<u>31,266</u>	<u>31,266</u>
Increase in Net Position	(50,846)	(63,694)	78,038	<u>141,732</u>
Net Position, Beginning of Year	3,127,662	3,127,662	3,127,662	
Net Position, End of Year	<u>\$ 3,076,816</u>	<u>\$ 3,063,968</u>	<u>\$ 3,205,700</u>	

**Clarksville Montgomery County E-911  
(A Component Unit)  
Exhibit 1 - Schedule of Salaries and Wages  
For the Year Ended June 30, 2014**

Director	\$ 68,906
Dispatchers	998,170
Maintenance Personnel	64,533
Overtime Pay	<u>40,987</u>
Total Salaries and Wages	<u><u>\$ 1,172,596</u></u>

**Clarksville Montgomery County E-911  
(A Component Unit)  
Exhibit 2 - Schedule of Employee Benefits  
For the Year Ended June 30, 2014**

Social Security	\$ 68,190
Medicare	15,947
Life Insurance	885
Medical Insurance	249,131
Unemployment Compensation	1,298
Retirement Contributions	136,026
Other Postemployment Benefits	17,770
Total Employee Benefits	<u>\$ 489,247</u>

**Clarksville Montgomery County E-911  
(A Component Unit)  
Exhibit 3 - Schedule of Contracted Services  
For the Year Ended June 30, 2014**

Addressing/Mapping Expense	\$ 15,000
Audit Services	9,700
Fees Paid to Service Providers	901
Legal Services	4,932
Lease/Rental - Communications Equipment	69,480
Lease/Rental - Office Equipment	3,240
Maintenance and Repairs - Communications Equipment	72,697
Maintenance and Repairs - Buildings and Facilities	18,965
Other Contracted Maintenance Services	2,027
Total Contracted Services	<u>\$ 196,942</u>

**Clarksville Montgomery County E-911  
(A Component Unit)  
Exhibit 4 - Schedule of Supplies and Materials  
For the Year Ended June 30, 2014**

Office Supplies	\$ 1,495
Custodial Supplies	5,355
Data Processing Supplies	317
Utilities - Electric	61,297
Utilities - Water and Sewer	2,120
Utilities - General Telephone	20,492
Other Supplies and Materials	3,076
Total Supplies and Materials	<u>\$ 94,152</u>

**Clarksville Montgomery County E-911  
(A Component Unit)  
Exhibit 5 - Schedule of Other Charges  
For the Year Ended June 30, 2014**

Insurance - Liability	\$ 23,899
Insurance - Buildings and Contents	7,765
Licenses and Fees	55
Premiums on Surety Bonds	405
Public Education	2,045
Service Awards	841
Training Expenses	26,528
Other Charges - Trustee Commission	8,899
Total Contracted Services	<u>\$ 70,437</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, 2014

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 business-type activities of Clarksville Montgomery County E-911 ("The District" - a component unit of Montgomery County) as of and for the year ended June 30, 2014 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 19, 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 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider these deficiencies

described in the accompanying schedule of findings and responses to be material weaknesses: 2014-1.

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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies: 2014-2.

### **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: 2014-2.

### **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. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*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, 2014**

**Finding 2014-1 – Internal Control over Financial Reporting**

*Condition:* In the course of performing our audit, we noted 2 instances where the internal controls did not detect that debt was incorrectly recorded.

*Criteria:* The District is responsible for having a system of controls in place to allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

*Effect:* The effect was a bond principal payment that was accrued at year end reducing short-term debt reported by a material amount. Also, a significant debt reduction from refinancing was not recorded at year end.

*Recommendation:* It appears that the district has the controls in place to detect these types of errors, but they were not adhered to attentively. Therefore, we recommend that these controls be followed diligently to insure correct reporting for all infrequent balance sheet transactions.

*Response:* We concur.

**Finding 2014-2 – Internal Control and Compliance with Budget**

*Condition:* In the course of performing our audit, we noted 2 instances where expenses were accrued at year end causing line items to be over budget by an immaterial amount.

*Criteria:* TCA 7-86-120 states "...no district may expense any moneys regardless of their source, including moneys derived from bond and long-term debt proceeds, general, state or private grants or loans, or special assessments, except in accordance with a budget adopted under this section."

*Effect:* The effect was expense line items over budget by an immaterial amount.

*Recommendation:* We recommend that year end expenses and accruals be analyzed closely to determine if approved budget amendments are needed by June 30 to prevent line items from being reported over budget. The District might also consider budgeting on a cash basis.

*Response:* We concur.