

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Financial Statements and Supplementary Information
For the Year Ended June 30, 2015
And
Report of Certified Public Accountant

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
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June 30, 2015

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Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Roster of Committee Members (Unaudited)
June 30, 2015

Steve Douglass, Chairman

Andy Luton, Treasurer

Carter Cottrell

Robert Falkner

Donna Lancaster

James Andrews

Jenny Hyde

Deanna Hutchison

Seth Rye

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Management's Discussion and Analysis (Unaudited)
June 30, 2015

The following discussion and analysis of the Stewart County E-911 Communications District's ("The District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. Management encourages readers to consider the information presented here in conjunction with the accompanying financial statements and notes to the financial statements following this section.

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

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities by \$1,317,388 (net position) for the year ended June 30, 2015. This compares to the previous year when assets exceeded liabilities by \$798,657.
- Total net position was comprised of the following:
 - (1) Investment in capital assets of \$552,012, includes communications equipment, net of accumulated depreciation.
 - (2) Unrestricted net position of \$765,376 represents the portion available to maintain the District's continuing obligations to citizens and creditors.
- Total liabilities of the District decreased by \$197, during the fiscal year, to \$2,390.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Fund Financial Statements

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

Proprietary Funds

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

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Required Fund Financial Statements

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

The Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund reports all of the revenues and expenses received and incurred by the District during the fiscal year ended June 30, 2015. The statement measures the success of the District's operations over the fiscal year and can be used to determine whether the District has successfully recovered all its costs through surcharges, fees and grants.

The Statement of Net Position – Proprietary Fund includes all assets and liabilities of the District as of the fiscal year ended June 30, 2015. Over time, increases and decreases in net position will serve as a useful indicator of the District's financial position.

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

Notes to the Financial Statements

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

Other Information

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

FINANCIAL ANALYSIS OF THE DISTRICT

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District. The District's net position at June 30, 2015 was \$1,317,388. This is a \$518,731 increase from last year's net position of \$798,657. A portion of the District's net position (42 percent) reflects its investment in capital assets, such as office and communication equipment and the new visitor center facility. The District uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. The remaining portion of net position, (58

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Management's Discussion and Analysis (Unaudited)
June 30, 2015

percent) is available for future spending. The following table provides a summary of the District's net position at June 30, 2015:

FINANCIAL ANALYSIS OF THE DISTRICT (Continued)

	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 767,766	\$ 225,742
Capital assets	<u>552,012</u>	<u>575,108</u>
Total assets	<u>1,319,778</u>	<u>800,850</u>
Short-term liabilities	<u>2,390</u>	<u>2,193</u>
Total liabilities	<u>2,390</u>	<u>2,193</u>
Net position:		
Invested in capital assets	552,012	575,108
Unrestricted	<u>765,376</u>	<u>223,549</u>
Total net position	<u><u>\$ 1,317,388</u></u>	<u><u>\$ 798,657</u></u>

The District reported positive balances in net position for both years. Total assets increased \$518,928 while total liabilities increased \$197. As a result, total net position increased \$518,731. The District's overall financial position improved during the fiscal year 2015.

Business-type Activities

The District's activities increased net position by \$518,731. The costs of the District's activities this year were \$283,878. State operational funding and phone service charges were \$273,148. Additional revenue sources included interest of \$945, state grants of \$525,360 and insurance reimbursements of \$4,030. Comparative data is accumulated and presented in the following table to assist analysis.

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Business-type Activities (Continued)

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Emergency telephone charges	\$ 30,101	\$ 58,535
TECB shared wireless and operational funding	208,602	158,470
Other	<u>34,445</u>	<u>0</u>
Total Operating Revenues	273,148	217,005
 Operating Expenses	 <u>283,878</u>	 <u>281,447</u>
 Operating Income (Loss)	 <u>(10,730)</u>	 <u>(64,442)</u>
 Non-Operating Income (Expense):		
Interest income	945	885
TECB grants	525,360	52,837
Insurance reimbursements	4,030	0
Loss on disposal of assets	<u>(874)</u>	<u>0</u>
Total Non-Operating Income	<u>529,461</u>	<u>53,722</u>
 Change in Net Position	 518,731	 (10,720)
Beginning Net Position	<u>798,657</u>	<u>809,377</u>
 Ending Net Position	 <u>\$ 1,317,388</u>	 <u>\$ 798,657</u>

BUDGETARY HIGHLIGHTS

The budgeted expenditures for fiscal year 2015 were \$295,737. This was an increase of \$28,844 from the previous year's budgeted expenditures. This budgeted expenditures change was due, primarily, to an increase in the budgeted expenditure for maintenance agreements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, as of June 30, 2015 was \$552,012, a decrease of 4 percent from the prior year. This decrease was caused by the periodic depreciation of the District's capital assets. Additional information on the District's capital assets can be found in note 4 in the notes to the financial statements included in the basic financial statements.

Long-term Debt

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

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Management's Discussion and Analysis (Unaudited)
June 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

During 2015, The 911 Funding Modernization and IP Transition Act of 2014 became effective. This legislation streamlined the funding mechanism for emergency communications districts in Tennessee. Beginning January 1, 2015, all 911 district funding will flow from the Tennessee Emergency Communications Board (Board). The Board will provided operational funding, capital grants, and temporary loans to communications districts throughout Tennessee.

These factors were taken into consideration in preparing the budget for the next fiscal year ended June 30, 2016. New equipment purchases have reverted to prior levels only increasing slightly as technology improves. Over the past three years, cash reserves were used to make the substantial capital asset purchases, significantly reducing the interest bearing certificates of deposit held by the District. During 2015 and early 2016, the District received substantial reimbursements from the Tennessee Emergency Communications Board to cover the costs of these capital outlays.

REQUESTS FOR INFORMATION

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



THURMAN CAMPBELL GROUP, PLC
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Stewart County E-911 Communications District (the District), a component unit of Stewart County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The roster of committee members (page 1) and budgetary comparison schedule (pages 20 - 21) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Thurman Campbell Group, PLC

Clarksville, TN
June 20, 2016

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Statement of Net Position
June 30, 2015

ASSETS

Current assets:

Cash and cash equivalents	\$ 429,701
Accounts receivable	656
Due from Tennessee Emergency Communications Board	313,835
Prepaid expense	23,314
Other current asset	<u>260</u>

Total current assets	<u>767,766</u>
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Noncurrent assets:

Capital assets not being depreciated	25,000
Depreciable capital assets, net	<u>527,012</u>

Total noncurrent assets	<u>552,012</u>
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Total assets	<u>1,319,778</u>
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LIABILITIES

Current liabilities:

Accounts payable	1,617
Payroll deductions payable	<u>773</u>

Total current liabilities	<u>2,390</u>
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NET POSITION

Investment in capital assets	552,012
Unrestricted	<u>765,376</u>

Total net position	<u>\$ 1,317,388</u>
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The accompanying notes are an integral part of these financial statements.

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

OPERATING REVENUES

Emergency telephone service charge	\$ 30,101
Tennessee Emergency Communications Board - shared wireless charge	12,606
Tennessee Emergency Communications Board - operational funding	62,091
Tennessee Emergency Communications Board - other funding	33,978
Other operating revenues	467
TECB Distribution of 911 surcharges (base amount)	133,905
 Total operating revenues	 273,148

OPERATING EXPENSES

Salaries and Wages:	
Administrative personnel	2,670
Part-time personnel	16,953
Employee Benefits:	
Social Security	1,217
Medicare	285
Unemployment compensation	273
Contracted Services:	
Advertising	554
Audit services	6,500
Accounting services	3,900
Contracts with government agencies - dispatchers interfund services	75,000
Data processing	46
Janitorial services	1,140
Maintenance agreements	78,433
Lease/rental - communications equipment	12,525
Lease/rental - buildings and facilities	4,500
Maintenance and repairs - communications equipment	4,748
Maintenance and repairs - vehicles	344
Fuel - vehicles	548
Other Contracted Services	50

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

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Statement of Revenues, Expenses and Changes in Net Position (Continued)
For the Year Ended June 30, 2015

Supplies and Materials:	
Office supplies	124
Postage	39
Small equipment purchases	860
Utilities - electric	1,841
Utilities - general telephone	2,542
Utilities - cell phones and pagers	668
Other supplies and materials	2,456
Other Charges	
Bank charges	222
Dues & memberships	580
Insurance - workers compensation	1,267
Insurance - liability	3,898
Premiums on surety bonds	320
Training expense	507
Depreciation	<u>58,868</u>
 Total operating expenses	 <u>283,878</u>
 Operating income (loss)	 <u>(10,730)</u>
 <u>NON-OPERATING REVENUE (EXPENSE)</u>	
Interest income	945
Tennessee Emergency Communications Board - grants and reimbursements	525,360
Insurance reimbursements	4,030
Loss on Disposal of Property	<u>(874)</u>
 Total non-operating revenue (expense)	 <u>529,461</u>
 Change in net position	 518,731
 Net position - beginning of the year	 <u>798,657</u>
 Net position - end of the year	 <u>\$ 1,317,388</u>

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

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Statement of Cash Flows
For the Year Ended June 30, 2015

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from surcharges and other revenues	\$ 282,577
Cash payments to suppliers for goods and services	(145,030)
Cash payments for payroll, taxes and related benefits	(22,150)
Cash payments for inter-fund services - contract labor and contract labor benefits	<u>(75,000)</u>
Net cash provided (used) by operating activities	<u>40,397</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Capital grants and reimbursements from TECB	211,525
Insurance proceeds	4,030
Purchase of capital assets	<u>(36,645)</u>
Net cash (used) by capital and related financing activities	<u>178,910</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest income received	<u>945</u>
Net cash provided by investing activities	<u>945</u>
 Net increase (decrease) in cash and cash equivalents	 220,252
Cash and cash equivalents at beginning of year	<u>209,449</u>
Cash and cash equivalents at end of year	<u>\$ 429,701</u>
 <u>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating income (loss)	\$ (10,730)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	58,867
(Increase) decrease in accounts receivable	9,429
(Increase) decrease in prepaid expense	(17,366)
Increase (decrease) in accounts payable	949
Increase (decrease) in accrued liabilities	<u>(752)</u>
Net cash provided (used) by operating activities	<u>\$ 40,397</u>

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

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Notes to the Financial Statements
For the Year Ended June 30, 2015

1. REPORTING ENTITY

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Measurement Focus and Basis of Accounting

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

b. Financial Statement Presentation

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

c. Source of Funds

The 911 Funding Modernization and IP Transition Act of 2014 streamlined and changed the funding mechanism for emergency communications districts in Tennessee. Prior to January 1, 2015, an emergency telephone service charge, in the amount of \$1 per month for residential users and \$2.50 per month for business users, funded emergency communications districts in Tennessee. These funds were collected by the service suppliers and remitted to the district each month.

In December 1999, the State of Tennessee began collecting and distributing the District's share of charges collected for all wireless telephone services. The State collected \$1.00 per

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

subscriber, per month, less a vendor compensation fee of \$.03. Twenty five percent (25%) of amounts collected by the State were redistributed to local emergency districts according to Census population numbers. The State distributed these funds to the District on a bi-monthly basis.

The aforementioned 911 Funding Modernization and IP Transition Act of 2014 levied a flat \$1.16 surcharge on all telephonic services capable of connecting to the 911 system, including prepaid telephone services, throughout the State of Tennessee. This surcharge replaced all prior 911 service charges and fees. This surcharge is collected by the Tennessee Emergency Communications Board. The Tennessee Emergency Communications Board provides operational funding, funding for next generation 911 equipment, and temporary loans and grants to communications districts in Tennessee. Henceforth, all operational funding for the District will flow from the Tennessee Emergency Communications Board.

d. Cash and Cash Equivalents

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

e. Fund Financial Statements

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

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

f. Accounts Receivable

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

g. Capital Assets

Property, plant and equipment are carried at cost. Assets with an initial unit of property cost exceeding \$500 are capitalized. Depreciation is computed using the straight-line method over the estimated useful life of the asset as follows:

Office Furniture and Fixtures	10 years
Equipment	10 years

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

Vehicles	5 years
Buildings and Improvements	40 years
Leasehold Improvements	(lesser of the lease term or life of the asset)

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

h. Accounting Estimates

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

i. Advertising Costs

Advertising costs are expensed as incurred.

3. CONTRACTS, AGREEMENTS AND LEASES

- a.** The District contracted with the Stewart County Mayor's office to maintain the E-911 database and employee dispatchers. The contract is on a month-to-month basis and covers the County's cost for the employee's wages and related benefits. The District is billed quarterly for these expenses. Since this is a cost reimbursement, the District does not record any liability for compensated absences. Accordingly, the District has classified these expenses as "Contracts with government agencies – dispatchers interfund services" in the Statement of Revenues, Expenses and Changes in Net Position.
- b.** During 2012, the District purchased a radio system from Greer Communications, Inc. The District contracts with Greer Communications, Inc. for the provision of airtime, maintenance and service on this system. The annual cost of this contract is based upon the number of radio units in service and was \$49,935 during the fiscal year ended June 30, 2015. This airtime and maintenance contract is on an annual basis.
- c.** During 2013 and 2014, the District purchased a new computerized dispatch system (NG911 compatible system) from GeoConex Corporation. The District contracts with GeoConex for maintenance, support and software updates to this system. The annual cost of this service was \$20,319 during the fiscal year ended June 30, 2015. This contract renews annually.

4. CAPITAL ASSETS

Capital assets consist of the following:

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

	Balance June 30, 2014	Additions	Disposals	Balance June 30, 2015
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Equipment	<u>183,870</u>	<u>-</u>	<u>183,870</u>	<u>-</u>
Total capital assets not being depreciated	<u>208,870</u>	<u>-</u>	<u>183,870</u>	<u>25,000</u>
Capital assets being depreciated:				
Buildings and improvements	100,000	-	-	100,000
Furniture and fixtures	15,242	-	-	15,242
Office equipment	20,538	-	6,195	14,343
Communications equipment	502,748	205,092	119,743	588,097
Vehicles	9,550	-	-	9,550
Leasehold Improvements	17,687	15,423	-	33,110
Other capital assets	<u>28,802</u>	<u>-</u>	<u>-</u>	<u>28,802</u>
Total capital assets being depreciated	<u>694,567</u>	<u>220,515</u>	<u>125,938</u>	<u>789,144</u>
Less accumulated depreciation				
Buildings and improvements	26,667	6,667	-	33,334
Furniture and fixtures	9,182	1,703	-	10,885
Office equipment	17,570	1,206	5,869	12,907
Communications equipment	237,295	46,482	119,195	164,582
Vehicles	7,481	1,910	-	9,391
Leasehold Improvements	1,331	900	-	2,231
Other capital assets	<u>28,802</u>	<u>-</u>	<u>-</u>	<u>28,802</u>
Total Accumulated Depreciation	<u>328,328</u>	<u>58,868</u>	<u>125,064</u>	<u>262,132</u>
Capital Assets, net	<u>\$ 575,109</u>	<u>\$ 161,647</u>	<u>\$ 184,744</u>	<u>\$ 552,012</u>

Depreciation expense was \$58,868 for the year ended June 30, 2015.

Capital assets not being depreciated included a new dispatch system that was installed by the District during the fiscal year ended June 30, 2013. The cost of this system was \$183,870. During the 2015 fiscal year, this system was granted state approval and was placed in operation.

5. RISK MANAGEMENT

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

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

6. PERFORMANCE BONDS

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

7. BUDGET

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

8. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

During the fiscal year, the district maintained funds in checking, money market and certificate of deposit accounts with local financial institutions. Custodial credit risk is defined as the risk that a government will not be able to recover its deposits, investments or collateral from a financial institution in the event of failure by the financial institution. The District does not have a policy addressing custodial credit risk; however, the District holds its idle funds in financial institutions that are covered by FDIC insurance and are members of the State of Tennessee collateral pool. As of June 30, 2015, the carrying amount of the District's deposits was \$429,701 and the bank balance of \$435,323 was covered as follows:

	<u>Bank Balances</u>
Insured by FDIC	\$ 375,630
Insured by Tennessee Bank Collateral Pool	59,693
Total	\$ 435,323

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2015

9. RELATED PARTY TRANSACTION

The District contracted with the Stewart County Mayor’s office to maintain the E-911 database. The contract is on a month-to-month basis and covers the County’s cost for the employee’s wages and related benefits. The District is billed quarterly for these expenses. During the year ended June 30, 2015, the District paid Stewart County \$75,000 for these services.

10. ECONOMIC DEPENDENCY

The District is dependent on continued funding from the State of Tennessee to carry out its programs. For the fiscal year end June 30, 2015, the District received \$454,105 or 93% of its total revenues from the State of Tennessee State Emergency Communications Board.

11. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The general fund incurred expenditures in excess of appropriations in the amount of \$7,782 (net) during the year ended June 30, 2015. A significant portion of this excess (\$23,163) was due to the use of an inappropriate amount of depreciation expense in the final budget. In addition, the other significant budget variances were caused by differences in the cash basis budget and accrual basis financial statements. Actual (monetary) spending, in total, did not exceed budgetary amounts for the current fiscal year. The following categories had spending in excess of budgeted amounts during 2015:

Item	Excess Expenditures Over Budgeted Amounts
Social Security	\$ 3
Audit services	1,000
Data processing	46
Maintenance agreements	3,933
Utilities - general telephone	182
Utilities - cell phones and pagers	18
Bank charges	7
Depreciation	23,163
Totals	\$ 28,352

12. REPORT PRESENTATION

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

Supplementary Information

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Budgetary Comparison Schedule
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>OPERATING REVENUES</u>				
Emergency telephone service charge	\$ 29,000	\$ 33,879	\$ 30,101	\$ (3,778)
Tennessee Emergency Communications Board - shared wireless charge	16,190	12,312	12,606	294
Tennessee Emergency Communications Board - operational funding	62,170	62,100	62,091	(9)
Other operating revenues	9,000	28,081	34,445	6,364
TECB Distribution of 911 surcharges (base amount)	<u>141,000</u>	<u>134,000</u>	<u>133,905</u>	<u>(95)</u>
 Total operating revenues	 <u>257,360</u>	 <u>270,372</u>	 <u>273,148</u>	 <u>2,776</u>
<u>OPERATING EXPENSES</u>				
Salaries and Wages:				
Administrative personnel	32,000	2,670	2,670	-
Part-time personnel	15,000	17,000	16,953	47
Employee Benefits:				
Social Security	2,914	1,214	1,217	(3)
Medicare	681	286	285	1
Unemployment compensation	600	290	273	17
Contracted Services:				
Advertising	100	555	554	1
Audit services	5,500	5,500	6,500	(1,000)
Accounting services	3,975	3,975	3,900	75
Contracts with government agencies - dispatchers interfund services	75,000	75,000	75,000	-
Data processing	-	-	46	(46)
Facility relocation expenses	500	500	-	500
Janitorial services	1,440	1,240	1,140	100
Maintenance agreements	43,500	74,500	78,433	(3,933)
Lease/rental - communications equipment	8,630	12,630	12,525	105
Lease/rental - buildings and facilities	4,200	4,500	4,500	-
Maintenance and repairs - communications equipment	1,800	21,420	4,748	16,672
Maintenance and repairs - buildings and facilities	2,000	-	-	-
Maintenance and repairs - office equipment	1,000	-	-	-
Maintenance and repairs - vehicles	2,500	500	344	156
Fuel - vehicles	1,200	700	548	152
Other Contracted Services	-	1,414	50	1,364

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

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Budgetary Comparison Schedule
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Supplies and Materials:				
Office supplies	500	125	124	1
Custodial supplies	350	-	-	-
Data processing supplies	400	-	-	-
Postage	75	40	39	1
Small equipment purchases	400	880	860	20
Utilities - electric	2,000	1,851	1,841	10
Utilities - general telephone	3,560	2,360	2,542	(182)
Utilities - cell phones and pagers	1,000	650	668	(18)
Other supplies and materials	4,450	3,000	2,456	544
Bank charges	150	215	222	(7)
Board meeting expenses	150	-	-	-
Dues & memberships	285	580	580	-
Insurance - workers compensation	1,251	1,267	1,267	-
Insurance - liability	3,846	3,898	3,898	-
Premiums on surety bonds	324	324	320	4
Training expense	600	1,107	507	600
Other charges	200	200	-	200
Depreciation	<u>35,705</u>	<u>35,705</u>	<u>58,868</u>	<u>(23,163)</u>
 Total operating expenses	 <u>257,786</u>	 <u>276,096</u>	 <u>283,878</u>	 <u>(7,782)</u>
 Operating income (loss)	 <u>(426)</u>	 <u>(5,724)</u>	 <u>(10,730)</u>	 <u>(5,006)</u>
 <u>NON-OPERATING REVENUE (EXPENSE)</u>				
Interest income	700	700	945	245
Tennessee Communications Board - grants and reimbursements	10,000	233,565	525,360	291,795
Insurance reimbursements	-	4,030	4,030	-
Loss on Disposal of Property	<u>-</u>	<u>-</u>	<u>(874)</u>	<u>(874)</u>
 Total non operating revenue (expense)	 <u>10,700</u>	 <u>238,295</u>	 <u>529,461</u>	 <u>291,166</u>
 CHANGE IN NET POSITION	 10,274	 232,571	 518,731	 286,160
 NET POSITION – BEGINNING OF YEAR	 <u>798,657</u>	 <u>798,657</u>	 <u>798,657</u>	 <u>-</u>
 NET POSITION – END OF YEAR	 <u>\$ 808,931</u>	 <u>\$ 1,031,228</u>	 <u>\$ 1,317,388</u>	 <u>\$ 286,160</u>

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



THURMAN CAMPBELL GROUP, PLC
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT*
AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Stewart County E-911 Communications District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 20, 2016.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described as follows:

2015-001 Spending in Excess of Budget (Repeat)

Finding: Tennessee Code annotated, Section 7-86-120, states that no emergency communications district may spend money except in accordance with an adopted budget. During 2015, as detailed in the budgetary comparison schedule, the District's expenditures in several categories exceeded its adopted budget.

Response: The District agrees with this finding. In total, actual monetary expenditures did not exceed budgeted amounts.

2015-002 Financial Reporting for Board Meetings

Finding: Section 7-86-123 TCA requires that a financial report of the district's activities must be provided to the board of directors at every scheduled meeting of the board. This report must be in accordance with guidelines developed by the Comptroller of the Treasury. In part, these guidelines require submission of a balance sheet, statement of operations, and budgetary comparison statement. During 2015, financial reports provided to the board did not include the legally specified reports and consisted mainly of cash bank balances.

Response: The District agrees with this finding and will prospectively change financial reporting for board meetings.

Stewart County E-911 Communications District's Response to Findings

The District's response to our findings is described above. 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thurman Campbell Group, PLC

Clarksville, TN
June 20, 2016

Stewart County E-911 Communications District
(A Component Unit of Stewart County, Tennessee)
Schedule of Prior Year Findings and Responses
June 30, 2015

Financial Statement Findings

Finding Number	Finding Title	Status
2014-001	Spending in Excess of Budget	Repeated