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COUNTY AUDIT

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

**EMERGENCY 911 COMMUNICATIONS
DISTRICT OF BEDFORD COUNTY**
(a component unit of Bedford County, Tennessee)

Shelbyville, Tennessee
June 30, 2008

WINNETT
*A*ssociates, PLLC

Certified Public Accountants and Consultants

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DIRECTORY OF OFFICIALS
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

June 30, 2008

Board of Directors:

Charles McDonald - Chairman
Bill Bingham - Vice Chairman
James Wilkerson - Treasurer
Jimmy Patterson
Linda Yockey
Cort Huffman
Tony Barrett
Ed Castleman

Staff:

Cathy Mathis - Director & Bookkeeper

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EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

(a component unit of Bedford County, Tennessee)

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Year ended June 30, 2008

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As management of the Emergency 911 Communications District of Bedford County, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2008. Please read in conjunction with the District's financial statements, which follow this section.

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OVERVIEW OF THE FINANCIAL STATEMENTS

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This annual report includes this management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

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REQUIRED FINANCIAL STATEMENTS

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The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities. The Statement of Net Assets includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligations to the District's creditors (liabilities).

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All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its cost through surcharges and fees.

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The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where cash comes from, what was cash used for, and what was the change in the cash balance during the reporting period.

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FINANCIAL ANALYSIS OF THE DISTRICT

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One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the District's activities in a way that will help answer this question. These statements report the net assets of the District and the changes in them. One can think of the District's net assets-the difference between assets and liabilities-as one way to measure financial health and financial position. Over time, increases and decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. A summary of the District's net assets and changes in them is presented on the following page.

Condensed Statement of Net Assets

	June 30, <u>2008</u>	June 30, <u>2007</u>	<i>Diff</i>
Current and other assets	\$ 256,458	\$ 252,841	\$ 3,617
Capital assets	<u>982,196</u>	<u>334,399</u>	<u>647,797</u>
Total assets	<u>\$1,238,654</u>	<u>\$ 587,240</u>	<u>\$ 651,414</u>
Long-term liabilities outstanding	\$ 362,521	\$ -	\$ 362,521
Current liabilities	<u>112,712</u>	<u>19,884</u>	<u>92,828</u>
Total liabilities	<u>\$ 475,233</u>	<u>\$ 19,884</u>	<u>\$ 455,349</u>
Net assets:			
Invested in capital assets	\$ 522,753	\$ 334,399	\$ 188,354
Unrestricted	<u>240,668</u>	<u>232,957</u>	<u>7,711</u>
Total net assets	<u>\$ 763,421</u>	<u>\$ 567,356</u>	<u>\$ 196,065</u>

Condensed Statement of Revenues, Expenses
and Changes in Net Assets

	June 30, <u>2008</u>	June 30, <u>2007</u>	<i>Diff</i>
Revenues:			
Operating revenues	\$ 557,730	\$ 584,504	\$ (26,774)
Nonoperating revenues	<u>9,921</u>	<u>118,599</u>	<u>(108,678)</u>
Total revenues	<u>\$ 567,651</u>	<u>\$ 703,103</u>	<u>\$(135,452)</u>
Expenses:			
Depreciation expense	\$ 106,238	\$ 59,601	\$ 46,637
Other operating expense	247,736	293,677	(45,941)
Nonoperating expense	<u>17,612</u>	<u>10,504</u>	<u>7,108</u>
Total expenses	<u>\$ 371,586</u>	<u>\$ 363,782</u>	<u>\$ 7,804</u>
Change in net assets	\$ 196,065	\$ 339,321	\$(143,256)
Beginning net assets	<u>567,356</u>	<u>228,035</u>	<u>339,321</u>
Ending net assets	<u>\$ 763,421</u>	<u>\$ 567,356</u>	<u>\$ 196,065</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION

As can be seen from the above summarized financial information, the District's net assets have increased approximately \$196,065 during the year ended June 30, 2008. While there was a decrease in revenue of \$135,452 (19%), total expenses only increased \$7,804 (2%).

— **THE DISTRICT'S NET ASSETS**

The District completed the year with net assets of \$763,421, which is approximately \$196,065 more than the prior years ending net assets of \$567,356.

— **BUDGETARY HIGHLIGHTS**

The District adopts an annual operating budget which includes proposed expenses and the means for paying these expenses. As conditions change during the year the budget may be amended to prevent budget overruns.

— Income from residential phone lines decreased \$57,521 above the budgeted income. However, state shared wireless income and income from private carriers due to cell phone use increased approximately \$2,681. Shared wireless charges are fees which are difficult to estimate.

— **CAPITAL ASSETS**

The District's investment in capital assets amounts to \$1,505,881 with accumulated depreciation of \$523,685. Capital assets include the capital leases, communication equipment, furniture and fixtures, building improvements, and communication software upgrades.

— **LONG-TERM LIABILITIES**

The District had \$459,443 in capital lease obligations outstanding as of June 30, 2008, compared with \$-0- at June 30, 2007. These leases were entered into for the purchase of communications equipment.

— **ECONOMIC FACTORS AND FUTURE NEEDS**

The main economic factor facing Bedford County Emergency Communications District is the decrease in revenue generated from landline telephones. Many residents now use cell phones for the residential lines. While the increase in cell phone use is general revenue, only a portion of that revenue is being returned to each 911 District under the current system being used by the state for distributing shared wireless fees. The uncertainty of landline use and the income from shared wireless fees has become a problem in estimating revenue for budget preparation. However, recent reports from telephone companies indicate that monthly losses of landline revenue may be stabilizing and may remain at a more manageable level in the future. This was true for the budget year ending June 30, 2008 as actual emergency telephone surcharge revenue was short budget by \$57,521.

— The District is currently working with the Bedford County Property Assessor's Office, Shelbyville Power Systems, City of Shelbyville, and Bedford County Utility District to complete a Geographic Information System (GIS). The goal of this GIS project is to make available mass amounts of data in the form of maps and layers that can be added and subtracted at any time. There is virtually no limit to the kind of information that can be placed in a GIS layer, as long as it has a geographic reference point. This mass amount of information has many uses in emergency situations such as locations of fire hydrants, routing for emergency response, road closures, and cutoff locations for gas, water, and power needs. The Bedford County 911 Communications Center still maintains the EZ911 GIS to be more efficient of keeping all of the data up to date on a day to day basis. The time is rapidly approaching where government agencies and citizens will have access to this information 24/7 from the home or office where ever the need arises. Funding for the Bedford County Emergency Communications District cost related to the GIS mapping is provided through an annual maintenance GIS grant that can be applied for through the Tennessee Emergency 911 Communications Board.

— All Districts in the State are now facing the new NG911 (next generation 911). This is a system that will allow callers to send text messages and send picture messaging directly to 911 Centers. This will be and IP based (internet protocol) system. The Bedford County 911 Communications Center is now in the process of installing an IP based system, so we will be ready when this state wide system becomes available.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Emergency 911 Communications
District of Bedford County
Shelbyville, Tennessee

We have audited the accompanying basic financial statements of Emergency 911 Communications District of Bedford County, a component unit of Bedford County, Tennessee, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Emergency 911 Communications District of Bedford County as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2008, on our consideration of Emergency 911 Communications District of Bedford County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 4 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Winnett Associates

October 27, 2008

STATEMENT OF NET ASSETS
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

(a component unit of Bedford County, Tennessee)

June 30, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 206,608
Accounts receivable	31,068
Due from State Emergency Communications Board	15,125
Prepaid expenses	3,557
TOTAL CURRENT ASSETS	<u>\$ 256,358</u>

CAPITAL ASSETS

982,196

OTHER ASSETS

Security deposits	100
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TOTAL ASSETS \$ 1,238,654

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 15,790
Capital lease obligations - current	96,922
TOTAL CURRENT LIABILITIES	<u>\$ 112,712</u>

NONCURRENT LIABILITIES

Capital lease obligations	\$ 362,521
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NET ASSETS

Invested in capital assets, net of related debt	\$ 522,753
Unrestricted	240,668
TOTAL NET ASSETS	<u>\$ 763,421</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,238,654

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

(a component unit of Bedford County, Tennessee)

Year ended June 30, 2008

Operating revenues:		
Emergency telephone service charge	\$ 380,887	
Tennessee emergency communications board-shared wireless charge	72,762	
Tennessee emergency communications board-operational funding	104,081	
	TOTAL OPERATING REVENUES	\$ 557,730
Operating expenses:		
Salaries and wages:		
Director	\$ 59,251	
Dispatchers	12,545	
Employee benefits:		
Social security	475	
Medicare	3	
Medical insurance	4,127	
Contracted services:		
Addressing/Mapping expenses	10	
Advertising	652	
Audit services	2,200	
Engineering services	4,400	
Fees paid to service providers	60,457	
Impact payments	10,000	
Legal services	5,128	
Maintenance agreements	16,143	
Pest control	947	
Lease/Rental-communications equipment	966	
Maintenance and repairs-communications equipment	3,878	
Maintenance and repairs-buildings and facilities	1,362	
Maintenance and repairs-office equipment	495	
Maintenance and repairs-vehicles	1,272	
Supplies and materials:		
Office supplies	6,985	
Custodial supplies	848	
Postage	1,154	
Small equipment purchases	3,712	
Uniforms and shirts	3,606	
Utilities-electric	12,447	
Utilities-gas	762	
Utilities-general telephone	7,973	
Utilities-cell phone and pagers	4,948	
Other supplies and materials	1,445	
Other charges:		
Board meeting expenses	901	
Dues and memberships	2,974	
Employee testing and exams	483	
Premiums on surety bonds	828	
Public education	110	
Service awards	2,589	
Training expenses	4,492	
Travel expenses	7,145	
Language Line	23	
Depreciation:	95,466	
Amortization:	10,772	
	TOTAL OPERATING EXPENSES	353,974
	OPERATING INCOME (LOSS)	\$ 203,756
Nonoperating revenues (expenses):		
Interest income		730
Miscellaneous income		1,991
Interest expense		(17,612)
Revenue from contracted services		7,200
	CHANGE IN NET ASSETS	\$ 196,065
	NET ASSETS, BEGINNING OF YEAR	567,356
	NET ASSETS, END OF YEAR	\$ 763,421

The accompanying notes are an integral part of this financial statement.

STATEMENT OF CASH FLOWS
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

(a component unit of Bedford County, Tennessee)

Year ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 570,855
Payments to suppliers	<u>(245,725)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 325,130
CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital expenditures	\$ (149,444)
Principal paid on lease obligations	(145,148)
Interest paid on lease obligations	<u>(17,612)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (312,204)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>\$ 730</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 730
NET INCREASE IN CASH AND CASH EQUIVALENTS	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>183,761</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 197,417</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 203,756
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	106,238
Change in assets and liabilities:	
Decrease in prepaid expenses	6,105
Decrease in accounts receivable	13,125
Increase in accounts payable	7,481
Decrease in due to primary government	<u>(11,575)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 325,130</u></u>
CASH PAID DURING THE YEAR FOR INTEREST	<u><u>\$ 17,612</u></u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) The Emergency 911 Communications District of Bedford County (the District) was created during July, 1987 upon approval by a majority of the legislative body of Bedford County. Its purpose is to provide a uniform emergency number to reduce the time required for citizens to request and receive emergency aid.

The District is a component unit of Bedford County and is governed by a nine member board of directors composed of persons residing within each of the nine Commission districts and appointed by the County Mayor. The District must obtain County Commission approval before the issuance of most debt instruments and the County Commission has the ability to adjust the District's service charges.

These financial statements present only the financial position and results of operations and cash flows of Emergency 911 Communications District of Bedford County and are not intended to present fairly the financial position and results of operations of Bedford County, Tennessee.

Enterprise activities should apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB). An enterprise activity may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The District has not elected to apply this option.

- (2) Fund Accounting

A fund is an individual accounting entity with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenue and expenses, as appropriate.

The District is a governmental enterprise fund and accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

- (3) Basis of Accounting

These financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS (cont'd)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(4) Tax-Exempt Status

According to the Emergency Communications District Law, the District is exempt from all income taxes.

(5) Uncollectible Accounts

As accounts receivable are amounts primarily from tariffs collected by service suppliers, there is minimal risk of their being uncollectible; therefore, an allowance for uncollectible accounts is not deemed necessary.

(6) Capital Assets

Capital asset acquisitions of \$100 or more are capitalized and are stated at cost or at estimated fair value at date of gift if donated. Depreciation is calculated over the estimated useful lives of the individual assets on a straight-line basis.

(7) Cash Equivalents

For purposes of the statement of cash flows the District considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

NOTE B - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Emergency 911 Communications District of Bedford County operates principally to provide citizens of Bedford County with a uniform emergency number.

The District grants credit to its users through service suppliers who are responsible for remitting, monthly or bi-monthly, the service fees collected with monthly phone bills. AT&T is the major service supplier representing approximately 52% of service charges collected. The service suppliers have no obligation to enforce collection of any unpaid service fee.

NOTES TO FINANCIAL STATEMENTS (cont'd)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

June 30, 2008

NOTE C - RELATED PARTY TRANSACTIONS

The District conducts its operations in a building owned by Bedford County who donates its use for this purpose.

The District does not employ dispatchers; however, such persons are employed and paid by Bedford County. The District paid Bedford County \$12,545 for the year ended June 30, 2008, to offset some of the cost of dispatchers. The District also paid Bedford County \$10,000 for the year ended June 30, 2008, to aid in financing its operations.

NOTE D - EMERGENCY TELEPHONE SERVICE CHARGE

According to the Emergency Communications District Law, the board of directors of the District may, to ensure continuing operations, levy an emergency telephone service charge in an amount not to exceed five percent of the tariff rate. On June 22, 2006, the Tennessee Emergency Communications Board approved tariff rate increases of residential from \$.65 to \$1.50 and commercial from \$2.00 to \$3.00.

NOTE E - CAPITAL LEASE OBLIGATIONS

The District has entered into lease agreements as lessee for financing the acquisition of capital assets including communications equipment. These lease agreements are capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases for the governmental activities are as follows:

Asset:	
Communication equipment	\$ 604,591
Less: Accumulated depreciation	<u>(35,268)</u>
Total	<u>\$ 569,323</u>

The future minimum lease obligations and the new present value of these minimum lease payments as of June 30, 2008, were as follows:

Year Ending	
<u>June 30,</u>	
2009	\$ 124,140
2010	124,140
2011	124,140
2012	124,140
2013	<u>31,035</u>
Total minimum lease payments	\$ 527,595
Less: amount representing interest	<u>(68,152)</u>
Present value of minimum lease payments	<u>\$ 459,443</u>

Amortization of assets acquired through capital leases is included in depreciation expense.

NOTES TO FINANCIAL STATEMENTS (cont'd)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

June 30, 2008

NOTE F - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due Within</u> <u>One Year</u>
Capital leases	\$ -	\$ 604,591	\$ 145,148	\$ 459,443	\$ 96,922

NOTE G - DEPOSITS AND INVESTMENTS

The District is authorized by law to invest idle funds in obligations of the U.S. Government or its agencies, repurchase agreements, secured certificates of deposit and other evidences of deposit at state and federal chartered banks and savings and loan associations. The District may also choose to invest idle funds in the pooled investment fund established by Title 9, Chapter 4, Part 7, *Tennessee Code Annotated*.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. The District is required by law to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*. Included in the manual are legal provisions relating to securing deposits. State statutes require all deposits with financial institutions to be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure. For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the government.

As of June 30, 2008, the District's checking account balance exceeded the insured maximum of \$100,000 by \$43,924.

NOTE H - RISK MANAGEMENT

The District is a component unit of Bedford County, Tennessee, and its insurable risks are covered under a blanket policy issued to and paid for by Bedford County, Tennessee.

NOTES TO FINANCIAL STATEMENTS (cont'd)
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

June 30, 2008

NOTE I - SCHEDULE OF CHANGES IN CAPITAL ASSETS

<u>Years</u>	<u>Description</u>	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>Capital assets being depreciated</u>					
40	Buildings & Improvements	\$ 49,554	\$ 1,019	\$ -	\$ 50,573
10	Furniture & Fixtures	11,159	75,763	-	86,922
10	Office Equipment	62,500	7,606	(1,125)	68,981
10	Communications Equipment	524,055	615,372	-	1,139,427
5	Vehicles	16,414	-	-	16,414
10	Software	89,290	54,274	-	143,564
		<u>\$ 752,972</u>	<u>\$ 754,034</u>	<u>\$ (1,125)</u>	<u>\$1,505,881</u>
<u>Less accumulated depreciation for:</u>					
	Buildings & Improvements	\$ (2,660)	\$ (1,892)	\$ -	\$ (4,552)
	Furniture & Fixtures	(2,884)	(4,446)	-	(7,330)
	Equipment	(29,295)	(5,997)	1,125	(34,167)
	Communications Equipment	(340,057)	(79,848)	-	(419,905)
	Vehicles	(9,849)	(3,283)	-	(13,132)
	Software	(33,827)	(10,772)	-	(44,599)
		<u>\$(418,572)</u>	<u>\$(106,238)</u>	<u>\$ 1,125</u>	<u>\$(523,685)</u>
	Capital assets, net	<u>\$ 334,400</u>	<u>\$ 647,796</u>	<u>\$ -</u>	<u>\$ 982,196</u>

SUPPLEMENTARY INFORMATION

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

514 Elm Street, P. O. Box 745
Shelbyville, Tennessee 37162

AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Emergency 911 Communications
District of Bedford County
Shelbyville, Tennessee

Our report on our audit of the basic financial statements of Emergency 911 Communications District of Bedford County, for the year ended June 30, 2008, appears on page 7. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information that appears on pages 18, 19, and 21 is presented for additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects. The information required by the Tennessee Emergency Communications Board that appears on page 20, which is of a nonaccounting nature, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and we express no opinion on it.

Winnett Associates

October 27, 2008

BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

(a component unit of Bedford County, Tennessee)

Year ended June 30, 2008

	Budget	Actual	Actual Over or (Under) Budget
REVENUES			
Emergency telephone service charge	\$ 438,408	\$ 380,887	\$ (57,521)
State emergency communications board-shared wireless charge/operational funding	174,162	176,843	2,681
Revenue from contracted services	-	7,200	7,200
Interest income	-	730	730
Other operating revenues-miscellaneous	49,993	-	(49,993)
Other nonoperating income - miscellaneous	-	1,991	1,991
TOTAL REVENUES	<u>\$ 662,563</u>	<u>\$ 567,651</u>	<u>\$ (94,912)</u>
EXPENSES			
Salaries and wages:			
Director	\$ 59,251	\$ 59,251	\$ -
Dispatchers	12,545	12,545	-
Employee benefits:			
Social security	475	475	-
Medicare	3	3	-
Medical insurance	4,127	4,127	-
Contracted services:			
Addressing/Mapping expenses	10	10	-
Advertising	652	652	-
Audit services	2,200	2,200	-
Engineering service	4,400	4,400	-
Fees paid to service providers	60,457	60,457	-
Impact payment	10,000	10,000	-
Legal services	5,128	5,128	-
Maintenance agreements	16,143	16,143	-
Pest control	947	947	-
Lease/Rental-communications equipment	163,726	163,726	-
Maintenance and repairs-communications equipment	3,878	3,878	-
Maintenance and repairs-buildings and facilities	1,362	1,362	-
Maintenance and repairs-office equipment	495	495	-
Maintenance and repairs-vehicles	1,272	1,272	-
Supplies and materials:			
Office supplies	6,985	6,985	-
Custodial supplies	848	848	-
Postage	1,154	1,154	-
Small equipment purchases	3,712	3,712	-
Uniforms and shirts	3,606	3,606	-
Utilities-electric	12,447	12,447	-
Utilities-gas	762	762	-
Utilities-general telephone	7,973	7,973	-
Utilities-cell phones and pagers	4,948	4,948	-
Other supplies and materials	1,445	1,445	-
Other charges:			
Board meeting expenses	901	901	-
Dues and memberships	2,974	2,974	-
Employee testing and exams	483	483	-
Premiums on surety bonds	828	828	-
Public education	110	110	-
Service awards	2,589	2,589	-
Training expenses	4,492	4,492	-
Travel expenses	7,145	7,145	-
Language line	23	23	-
Capital outlay-capital assets	149,444	149,444	-
TOTAL EXPENSES	<u>\$ 559,940</u>	<u>\$ 559,940</u>	<u>\$ -</u>
BUDGETARY INCOME (LOSS)	<u>\$ 102,623</u>	<u>\$ 7,711</u>	<u>\$ (94,912)</u>

See auditors' report on supplementary information.

**RECONCILIATION OF BUDGETARY COMPARISON SCHEDULE TO STATEMENT
OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY**

(a component unit of Bedford County, Tennessee)

Year ended June 30, 2008

BUDGETARY INCOME (LOSS)	\$ 7,711
Add capital expenditures	149,444
Add capital lease payments	162,760
Deduct depreciation expense	(106,238)
Deduct interest expense	(17,612)
CHANGE IN NET ASSETS	<u>\$ 196,065</u>

See auditors' report on supplementary information.

**SCHEDULE OF INFORMATION REQUIRED BY THE
TENNESSEE EMERGENCY COMMUNICATIONS BOARD
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)
Year ended June 30, 2008**

Director:

Name - Cathey Mathis
Address - 843 Union Street, Shelbyville, Tennessee 37160
Telephone - 931-684-3411
Fax - 931-680-7477

Chairman:

Name - Charles McDonald
Address - 843 Union Street, Shelbyville, Tennessee 37160
Telephone - 931-580-4621
Fax - 931-680-7477

Number of Public Safety Answering Points: One (1)

Address of each Public Safety Answering Points:

Emergency 911 Communication District of Bedford County, 843 Union Street,
Shelbyville, Tennessee 37160

Type of system/equipment and database used:

Orbacom CAD Dispatch System, Digital Mapping Program, Bell South Database

See auditors' report on supplementary information.

WINNETT
Associates, PLLC

Certified Public Accountants and Consultants

514 Elm Street, P. O. Box 745
Shelbyville, Tennessee 37162

**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**

Board of Directors
Emergency 911 Communications
District of Bedford County
Shelbyville, Tennessee

We have audited the accompanying financial statements of Emergency 911 Communications District of Bedford County (a component unit of Bedford County, Tennessee) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 27, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Emergency 911 Communications District of Bedford County's internal control over financial reporting as a basis for designing our auditing procedures 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 Emergency 911 Communications District of Bedford County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Emergency 911 Communications District of Bedford County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Emergency 911 Communications District of Bedford County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Emergency 911 Communications District of Bedford County's financial statements that is more than inconsequential will not be prevented or detected by the Emergency 911 Communications District of Bedford County's internal control. We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-1 and 2008-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Emergency 911 Communications District of Bedford County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that all the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Emergency 911 Communications District of Bedford County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 as items 2008-3.

We noted a certain matter that we reported to management of Emergency 911 Communications District of Bedford County in a separate letter dated October 27, 2008.

Emergency 911 Communications District of Bedford County's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit Emergency 911 Communications District of Bedford County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the State Comptroller's office, others within the organization, and government oversight organizations and is not intended to be and should not be used by anyone other than these specified parties.

Winnett Associates

October 27, 2008

SCHEDULE OF FINDINGS
EMERGENCY 911 COMMUNICATIONS DISTRICT OF BEDFORD COUNTY
(a component unit of Bedford County, Tennessee)

June 30, 2008

FINDING 2008-1 Lack of Segregation of Duties

Condition, Criteria, Cause and Effect: Due to the lack of administrative personnel employed by the District, there is a lack of appropriate segregation of duties related to accounting responsibilities. Specifically, one person is responsible for depositing customer payments, recording customer payments and all disbursements in the accounting records, reconciling the checking account, and preparing financial reports reviewed by the Board.

Recommendation: We acknowledge that the limited number of personnel precludes ideal segregation of duties for cash receipts and disbursements functions. However, we recommend that, whenever possible, responsibilities be reassigned to prevent an individual from having control over a transaction from beginning to end.

Management Response: We feel the cost to fully correct this internal control weakness would exceed the benefits. However, we will, whenever possible, separate duties.

FINDING 2008-2 Financial Statement Preparation

Condition, Criteria, Cause and Effect: The District does not employ anyone trained to prepare financial statements for external reporting in accordance with generally accepted accounting principles.

Recommendation: Management of the District should determine whether it would be financially feasible to train or hire someone to be able to prepare financial statements in accordance with generally accepted accounting principles.

Management Response: At this time we believe the cost of fully addressing this control deficiency would exceed the benefit.

FINDING 2008-3 Deposits

Condition, Criteria, Cause and Effect: The District did not require a depository holding District funds to pledge security in escrow to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage, as required by Section 7-86-126, *Tennessee Code Annotated*. This statute provides for the District to require any bank that is a depository of District funds to deposit in an escrow account in a second bank, collateral security equal to 105 percent of such District funds. Alternatively the bank could comply with the provisions of the state collateral pool. Deposits exceeded FDIC coverage at June 30, 2008 by \$43,924.

Recommendation: The District should ensure that all depositories pledge adequate securities, or participate in the bank collateral pool, sufficient to protect funds exceeding FDIC coverage.

Management Response: We have contacted our bank and are taking the necessary steps to comply with these requirements.