Franklin County
Emergency Communications District

Audit Report

June 30, 2008

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Franklin County Emergency Communications District
Introductory Section
June 30, 2008

Board Members

Danny Smith - Chairman
Winchester, TN

Eddie Clark – Vice Chairman
Winchester, TN

Jim Mitchell – Treasurer
Estill Springs, TN

John G. Scott – Secretary
Winchester, TN

John K. Bell
Winchester, TN

Scott Smith
Winchester, TN 37398

James Prince
Decherd, TN

Rocky Morris
Sewanee, TN

Kim Cole
Estill Springs, TN

FRANKLIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Franklin County Emergency Communications District (District) is presenting the following discussion and analysis in order to provide an overall review of the financial activities for the fiscal year ending June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the basic financial statements to enhance their understanding of the financial performance.

FINANCIAL HIGHLIGHTS

The total assets increased $93,677 while total liabilities decreased $55,636.

The operating expenses in fiscal year 2008 decreased $20,769.

Operating revenues decreased $56,842.

Net assets increased $149,313.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes the Management's Discussion and Analysis Report, the independent auditors' 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.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information using accounting methods similar to those used by private sector companies. The statements offer short 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 the nature and amounts of investments in resources and the obligations to creditors. It also provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the District.

All of the 2007-2008 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 costs through its fees and other charges, profitability and credit worthiness.

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 did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

The statement of net assets and the statement of revenues, expenses and changes in net assets report information about the District activities in a way that will help show how it did financially. These two statements report the net assets of the District and the changes in them. One way to measure the financial health is the difference between assets and liabilities, net assets. Over time, increases or decreases in the District net assets are an indicator of whether financial health is improving or deteriorating. However, one will need to consider other non-financial factors as addition of new customers, economic conditions, and new or changed government legislation.

Table A-1
Condensed Statement of Net Assets

	FY 2008	FY 2007	Change	Total Percent Change
Total current and other assets	$392,716	297,548	95,168	32%
Total noncurrent assets	229,893	231,384	(1,491)	(1%)
Total assets	622,609	528,932	93,677	18%
Total current liabilities	771	56,407	(55,636)	(99%)
Total noncurrent liabilities	-	-	-	-
Total liabilities	771	56,407	(55,636)	(99%)
Invested in capital assets	49,041	57,531	(8,490)	(15%)
Unrestricted	572,797	414,994	157,803	38%
Total net assets	621,838	472,525	149,313	32%

As can be seen from the above table, total assets increased $93,677 to $622,609 in 2008 from $528,932 in 2007. Also total liabilities decreased $55,636 to $771 in 2008 from $56,407 in 2007.

Table A-2
Condensed Statement of Revenues, Expenses, and Changes in Net Assets

Operating revenues	$396,096	452,938	(56,842)	(13%)
Non-operating revenues	8,153	7,795	358	5%
Total revenues	404,249	460,733	(56,484)	(12%)
Depreciation expense	8,490	6,937	1,553	22%
Other operating expense	246,446	268,768	(22,322)	(8%)
Total expenses	254,936	275,705	(20,769)	(8%)
Changes in net assets	149,313	185,028	(35,715)	(19%)
Beginning net assets	472,525	287,497	185,028	64%
Ending net assets	621,838	472,525	149,313	32%

While the statement of net assets shows the change in financial position, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

CAPITAL ASSETS

At June 30, 2008, the District had $49,041 invested in capital assets.

Table A-3
Capital Assets

	FY 2008	FY 2007	Change	Total Percent Change
Equipment:	$85,249	85,249	-	-
Less: accumulated depreciation	(36,208)	(27,718)	8,490	31%
Total District assets	$49,041	57,531	(8,490)	(15%)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's board of directors considers many factors when setting the fiscal year 2008-2009 budget and charges. One of the factors is making enough money to meet our expenses, meet all state and federal requirements, and provide our customers with dependable emergency communication services.

DISTRICT CONTACT INFORMATION

This financial report is designed to provide our customers and general public with a general overview of the District's finances and to demonstrate their accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Danny Smith at P. O. Box 711, Winchester, Tennessee 37398.

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Certified Public Accountants,
Tennessee Society of CPA's,
Association of Government Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Franklin County Emergency
Communications District
Winchester, Tennessee

We have audited the accompanying financial statements of the business-type activities of Franklin County Emergency Communications District, a component unit of Franklin County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Franklin County Emergency Communications District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof 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 September 25, 2008 on our consideration of the Franklin County Emergency Communications District's internal control over financial reporting and 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 managements' discussion and analysis on pages i through iii, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Franklin County Emergency Communications District's basic financial statements. The introductory section and schedules listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Bean, Rhoton & Kelley

Bean, Rhoton & Kelley, PLLC
September 25, 2008

Franklin County Emergency
Communications District
Statement of Net Assets
June 30, 2008

ASSETS	
Current assets:	
Cash and cash equivalents	$ 361,415.42
Account receivable	31,300.83
Total current assets	392,716.25
Noncurrent assets:	
Certificates of deposit	180,851.89
Capital assets:	
Equipment, net accumulated depreciation	49,041.10
Total noncurrent assets	229,892.99
Total assets	622,609.24
LIABILITIES	
Current liabilities:	
Accounts payable	771.26
Total current liabilities	771.26
Total liabilities	
NET ASSETS	
Invested in capital assets	49,041.10
Unrestricted	572,796.88
Total net assets	$ 621,837.98

Notes to financial statements are an integral part of the financial statements.

Franklin County Emergency
Communications District
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2008

OPERATING REVENUES	
Emergency telephone service charge	$ 186,840.91
Tennessee Emergency Communications Board - shared wireless charge	209,200.53
Other operating revenues	55.00
Total operating revenues	396,096.44
OPERATING EXPENSES	
Depreciation	8,489.86
Addressing/mapping expense	42,732.22
Office supplies	278.00
Telephone charges	97,809.19
Security bonds	480.00
Accounting services	2,100.00
Legal services	7,200.00
Auditing services	1,825.00
Advertising	381.25
Impact payments	56,250.00
Licenses and fees	368.00
Training expenses	400.00
Geographic information systems	35,000.00
Board meeting expenses	422.54
Travel expense	1,200.61
Total operating expenses	254,936.67
Operating income	141,159.77
NONOPERATING REVENUES	
Interest revenue	8,152.79
Total nonoperating revenue	8,152.79
Change in net assets	149,312.56
Total net assets - beginning	472,525.42
Total net assets - ending	$ 621,837.98

Notes to financial statements are an integral part of the financial statements.

Franklin County Emergency
Communications District
Statement of Cash Flows
Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 379,593.40
Impact fee	(56,250.00)
Telephone charges	(97,809.19)
Mapping expense	(42,732.22)
Geographic information systems	(35,000.00)
Other receipts (payments)	(70,235.84)
Net cash provided by operating activities	77,566.15
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	8,152.79
Invested in long term cash	(6,999.22)
Net cash provided by investing activities	1,153.57
Net increase in cash and cash equivalents	78,719.72
Balances - beginning of the year	282,695.70
Balances - end of the year	361,415.42
RECONCILIATION OF OPERATING INCOME	
TO NET CASH PROVIDED BY OPERATING ACTIVITES	
Operating income	141,159.77
Adjustments to reconcile operating income to net cash	
provided by operating activities:	
Depreciation expense	8,489.86
Change in assets and liabilities:	
Receivables, net	(16,448.04)
Accounts payable	(55,635.44)
Net cash provided by operating activities	$ 77,566.15

Notes to financial statements are an integral part of the financial statements.

Franklin County Emergency
Communications District
Notes to Financial Statements
June 30, 2008

1. Summary of Significant Accounting Policies -
Business Activities

The Franklin County Emergency Communications District provides funds & support to procure, lease and maintain necessary equipment and services related to fielding emergency phone calls in Franklin County.

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

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Franklin County Emergency Communications District. Legally, the District is a separate governmental entity that has considerable legal, financial, and administrative autonomy. However, as the governing board is not elected, but instead is entirely appointed by the County, the district can not be a primary government. Instead, it qualifies as a component unit of Franklin County, Tennessee (the primary government).

Three Board members of the District are appointed by the Franklin County Executive and confirmed by the Commission each year to serve four year terms. The District must obtain County Commission approval before the issuance of most debt. The District is primarily funded by user charges.

The District's reports are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual method of accounting, revenues are recorded as such when earned, and expenses are reported when incurred. The District applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash Deposits

The District is authorized to invest in the following types of securities and indebtedness, in accordance with governing statues:

(1) Bonds, notes, treasury bills or similar types of indebtedness to the United States.

(2) Non-convertible debt including Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Student Loan Marketing Association.

(3) Other obligations not specified above which provide guaranteed principal and interest by the United States or any of its agencies.

1. Summary of Significant Accounting Policies – (continued)

(4) Repurchase agreements which involve obligations of the United States or its agencies provided the term of the repurchase agreement does not extend beyond the maturity date of the obligation and the market value of the security exceeds the cost of the security.

(5) Money market funds invested in any of the aforementioned securities.

The District's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the District's custodial bank in the District's name. The carrying amount of total cash deposits for the year ended June 30, 2008, was $542,267.31. The amount of deposits collateralized with securities held by pledging financial institution and federal depository insurance was $542,267.31.

Utility Plant

Equipment and property additions are recorded at cost. Depreciated is calculated using the straight-line method over the estimated useful life. The District estimates the useful life of its equipment to be 10 years as well as 5 years for general office equipment.

Cash Flow

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Budgetary Data

Formal budgetary accounting is employed as a management control for all funds of the District. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the proprietary funds, and the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principles basis. Budgetary control is exercised at the departmental level. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

2. Utility Plant -
A summary of changes in the utility plant is as follows:

	July 1, 2007	Additions	Deletions	June 30, 2008
Equipment	$ 85,248.60	$ 0.00	$ (0.00)	$ 85,248.60
Less: Accumulated Depreciation	(27,717.64)	(8,489.86)	0.00	(36,207.50)
Total	$ 57,530.96	$ (8,489.86)	$ 0.00	$ 49,041.10

3. Cash & Cash Equivalents -
   At June 30, 2008, total cash was $542,267.31 of which $180,851.89 is held in certificates of deposit with maturities of more than three months, leaving $361,415.42 considered as cash equivalents.

4. Budgeting Procedures -
   The official and amended budget for June 30, 2008, was prepared for adoption for the proprietary fund by June 19, 2007.

5. Exposure -
   The District is included under the County coverage for the risks of losses to which it is exposed. These risks include general liability and property and casualty. Settlement claims have not exceeded coverage in the past three years, and there are currently no pending lawsuits.

Supplemental Information

Schedule of Public Safety Answering Points

For the year ended June 30, 2008, the District had one public safety answering point.

Location 1:
Franklin County Consolidated Communication Center
231 Wilton Circle
Winchester, TN 37398

The public safety answering point uses an AT & T system, which stores the database, and uses Interact Equipment.

Chairman of the Emergency Communication District:

Danny Smith
305 Edgewater Drive
Winchester, TN 37398

Telephone: 931-967-1751
Fax: 931-962-3065

Franklin County Emergency Communications District
Schedule of Revenues, Expenses, and Changes in Fund Balance-Budget and Actual
For the Fiscal Year Ended June 30, 2008

	Original Budget	As Amended June 16, 2008	Actual	Variance-Favorable (Unfavorable)
Operating Revenues				
Service charges	$ 198,200.00	$ 198,200.00	$ 186,840.91	$ (11,359.09)
Shared wireless charges	184,481.00	184,481.00	209,200.53	24,719.53
Grants	10,000.00	10,000.00	0.00	(10,000.00)
Miscellaneous income	900.00	900.00	55.00	(845.00)
Total Operating Revenues	393,581.00	393,581.00	396,096.44	2,515.44
Expenses				
Depreciation	6,000.00	6,000.00	8,489.86	(2,489.86)
Board meeting expense	0.00	100.00	422.54	(322.54)
Addressing/mapping expense	43,600.00	43,600.00	42,732.22	867.78
Repairs and maintenance	600.00	600.00	0.00	600.00
Office supplies	1,000.00	1,000.00	278.00	722.00
Training expenses	500.00	500.00	400.00	100.00
Service provider fees	102,000.00	102,000.00	97,809.19	4,190.81
Premiums on surety bonds	1,000.00	1,000.00	480.00	520.00
Public education	500.00	500.00	0.00	500.00
Accounting services	2,100.00	2,100.00	2,100.00	0.00
Legal services	7,200.00	7,200.00	7,200.00	0.00
Auditing services	1,800.00	1,900.00	1,825.00	75.00
Dues and memberships	700.00	700.00	368.00	332.00
Impact fees	75,000.00	75,000.00	56,250.00	18,750.00
Geographic information systems	35,000.00	35,000.00	35,000.00	0.00
Travel	4,200.00	4,200.00	1,200.61	2,999.39
Legal notices	300.00	400.00	381.25	18.75
Meals & entertainment	350.00	350.00	0.00	350.00
Total Expenses	281,850.00	282,150.00	254,936.67	27,213.33
Operating Income	111,731.00	111,431.00	141,159.77	29,728.77
Non-Operating Revenues				
Interest income	1,800.00	1,800.00	8,152.79	6,352.79
Total Non-Operating Revenues	1,800.00	1,800.00	8,152.79	6,352.79
	113,531.00	113,231.00	149,312.56	36,081.56
Total net assets-beginning	472,525.42	472,525.42	472,525.42	0.00
Total net assets-ending	$ 586,056.42	$ 585,756.42	$ 621,837.98	$ 36,081.56

See Accompanying Accountants' Report.

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

To the Board of Directors
Franklin County Emergency
Communications District
Winchester, Tennessee

We have audited the financial statements of the business-type activities of the Franklin County Emergency Communications District, a component unit of Franklin County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise the Franklin County -Emergency Communications District's basic financial statements and have issued our report thereon dated September 25, 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 the District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

Disposition of Prior Year's Significant Deficiencies:

1. Significant Deficiency:
   During our review of disbursements, we found instances where disbursements reviewed did not have adequate supporting documentation. – This problem still exists.

   Recommendation:
   We suggest that invoices, receiving reports, and other documentation should be obtained for all purchases. They should be attached together and each invoice should also be stamped, perforated, otherwise marked as paid when each check is written along with the check number written on the invoice.

Also purchase orders should be filled out completely and approved by the department head before items are purchased or ordered.

District's Comment:
This problem will be corrected.

2. Significant Deficiency:
During our review, we found that receipts had not been written during the year. – This problem still exists.

Recommendation:
To ensure that all monies are accounted for and deposited into the bank, receipts should be written.

District's Comment:
Most money collected by the District is in the form of direct deposit. Due to lack of monies directly received and administrative resources available, the District does not view this condition as a high priority. If the situation changes, the District will begin writing receipts.

3. Significant Deficiency:
During our review of disbursements, we found instances of checks not being "voided" properly. – This problem no longer exists.

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 District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of the 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 none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

Disposition of Prior Year's Audit Findings:

1. Finding:
We noted that actual expenditures exceeded the amount appropriated in the budget. – This problem still exists.

Recommendation:
All expenditures should be authorized either in the original budget or an amendment to that budget or in a supplemental appropriation.

District's Comment:
The budget will be monitored better in the future.

2. Finding:
During the course of the audit, it was noted that sales tax was being paid on some invoices. – This problem no longer exists.

The District's responses to the findings identified in our audit are described below each finding. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bean, Rhoton & Kelley, PLLC
September 25, 2008