

MACON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2008

HUGH W. SMITH, SR.
CERTIFIED PUBLIC ACCOUNTANT



America Counts on CPAs

MACON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**JUNE 30, 2008****TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Net Assets	3
Statement of Revenues, Expenses, and Changes in Fund Net Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-8
<u>Supplementary Information</u>	
Schedule of Revenue, Expenses, and Changes in Fund Net Assets – Budget and Actual	9
PSAP Details	10
<u>Other Information</u>	
Roster of Board Officials	11
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12-13
Schedule of Findings and Responses	14

Hugh W. Smith, Sr.
Certified Public Accountant

Member of the American Institute of Certified Public Accountants

765 McClure Street
Red Boiling Springs, Tennessee 37150
(615) 699-2695
www.fwscpa.com □ fwsmith@nctc.com

Independent Auditor's Report

To the Board of Directors of the
Macon County Emergency Communications District
Lafayette, Tennessee

I have audited the accompanying financial statements of the Macon County Emergency Communications District, a component unit of Macon County, 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 Macon County Emergency Communications District management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Macon County Emergency Communications District as of June 30, 2008, and the results of its operations and the 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*, I have also issued my report dated, January 9, 2009 on my consideration of Macon County Emergency Communications District internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board; however, management has chosen to exclude this information.

My audit was conducted for the purpose of forming an opinion on the basic financial statements

that collectively comprise the Macon County Emergency Communications District basic financial statements. The Schedule of Revenue, Expenses, and Changes in Fund Net Assets – Budget and Actual (page 9), and the schedule of PSAP Details (page 10) are presented for the purpose of additional analysis, and are not a required part of the basic financial statements or required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

January 9, 2009

A handwritten signature in blue ink, reading "Hugh W. Smith, Sr." with a stylized flourish at the end.

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

Assets

Current Assets

Cash & Cash Equivalents	\$ 72,267	
Accounts Receivable	8,251	
<i>Total Current Assets</i>		\$ <u>80,518</u>

Fixed Assets

Buildings and Improvements	\$ 90,103	
Accumulated Depreciation-Buildings and Improvements	(37,074)	
Furniture and Fixtures	3,353	
Accumulated Depreciation-Furniture and Fixtures	(1,753)	
Office Equipment	158,526	
Accumulated Depreciation-Office Equipment	(87,574)	
Communications Equipment	617,215	
Accumulated Depreciation-Communications Equipment	(393,770)	
<i>Total Fixed Assets</i>		<u>349,026</u>
Total Assets		\$ <u>429,544</u>

Liabilities and Net Assets

Liabilities

Lease Payable short-term	\$ 23,514	
Lease Payable long-term	42,434	
<i>Total Liabilities</i>		<u>65,948</u>

Net Assets

Invested in Capital Assets, Net of Related Debt	283,078	
Unrestricted Net Assets	80,518	
Total Net Assets		\$ <u>363,596</u>

See Accompanying Notes to the Financial Statements

Macon County Emergency Communications District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
year ended June 30, 2008

Operating Revenue		
Emergency Telephone Charge	\$ 99,826	\$
State – Shared Wireless Charge	132,535	
Other	89	
State Grants	4,575	
Total operating revenue		<u>237,025</u>
Operating Expenses		
<u>Contracted Services</u>		
Addressing & Mapping	35,290	
Advertising	133	
Audit Services	1,000	
Facility Relocation	8,536	
Fees Paid to Service Providers	37,095	
Legal Services	250	
Impact Payments	31,000	
Maintenance Agreements	17,943	
<u>Maintenance & Repairs</u>		
Communications Equipment	9,472	
Office Equipment	11,866	
Total Contracted Services	<u>152,585</u>	
<u>Supplies & Materials</u>		
Office Supplies	728	
Postage	125	
Small Equipment Purchases	21,640	
Other Supplies and Materials	3,450	
General Telephone	8,650	
<u>Utilities</u>		
Utilities	3,468	
Total Supplies & Materials	<u>38,062</u>	
<u>Other Charges</u>		
Dues and Memberships	320	
Training	2,265	
Insurance	4,649	
Premium on Surety Bonds	650	
Total Other Charges	<u>7,884</u>	
Depreciation	95,980	
Total Operating Expenses		<u>(294,510)</u>
Net Operating Income (Loss)		(57,485)
Nonoperating Revenues (Expenses)		
Interest Income	872	
Interest Expense	(1,754)	
Total Nonoperating Revenue (Expenses)		<u>(882)</u>
Increase (Decrease) in Net Assets		<u>(58,367)</u>
Net Assets Beginning		421,963
Net Assets Ending		<u>\$ 363,596</u>

See Accompanying Notes to the Financial Statements

Macon County Emergency Communications District
Statement of Cash Flow
June 30, 2008

Cash Flows From Operating Activities:

Cash received from Operations	\$ 245,590	
Cash payments for Goods and Services	<u>(198,530)</u>	
Net Cash Provided by Operating Activities		\$ 47,060

Cash Flows From Capital and Related Financing Activities:

Equipment purchase	(75,252)	
Principal and Interest Paid on Lease (a)	<u>(9,286)</u>	
Net Cash Used for Capital & Related Financing Activities		(84,538)

Cash Flows from Investing Activities:

Interest Received	<u>872</u>	
Net Cash Provided by Investing Activities		<u>872</u>

Net Increase in Cash and Cash Equivalents (36,606)

Cash and Cash Equivalents at June 30, 2007 108,873

Cash and Cash Equivalents at June 30, 2008 \$ 72,267

**Reconciliation of Net Operating Income (Loss) to Net Cash
Used by Operating Activities**

\$ 57,485

Net Operating Income (Loss)	\$ (57,485)
Depreciation	95,980
(Increase) Decrease in Accounts Receivable	<u>8,565</u>

\$ 47,060

(a) Supplemental Disclosure

Noncash capital and financing activities:

During the year the District entered into a lease agreement to purchase communications equipment costing \$73,480. During the year \$7,532 was paid on principal, and \$1,754 interest.

See accompanying notes to the Financial Statements

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

Note 1. Summary of Significant accounting Policies

The Macon County Emergency Communications District was established for the purpose of providing an enhanced level of 911 service to the Macon County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. It is a component unit of Macon County. The Macon County Emergency Communications District is run by a board of directors, which is appointed by Macon County. The District must file a budget with Macon County each year. Any bond issued by the District is subject to approval by Macon County.

The District uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governments (GASB 34 Edition)*, and by the Financial Accounting Standards Board. As allowed in Section P80 of GASB's Codification of *Governmental Accounting and Financial Reporting Standards*, the Board has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989.

Capital Assets – Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Fixed assets of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	5 – 30
Communications Equipment	5 – 12
Office Equipment	5 – 12
Furniture & Fixtures	5 – 7
Vehicles	5

Major Source of Revenue- The major source of operating revenue is emergency telephone and wireless surcharges. Nonoperating revenue consists of interest income.

Note 2. Deposits, Cash and Cash Equivalents

a. The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

b. The District's is authorized (TCA 5-8-301) to invest idle funds in bonds, notes or treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies; certificates of deposit and other evidence of deposit at Tennessee state chartered banks and savings an loan associations and federally chartered banks and savings an loan associations.

c. Custodial Credit Risk – Deposits. 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's deposits are required to be secured by collateral under the same conditions as state deposits or as provided in the state collateral pool (TCA 7-86-126). As of June 30, 2008, \$19,745.99 of the District's bank balance of \$119,745.99 was covered by collateral held in trust by a third party.

Note 3. Risk Management

<u>Type</u>	<u>Limits</u>
Surety coverage	\$130,000
Equipment coverage	\$498,500

No claims have been made during the past three years.

Note 4. Fixed Assets

Fixed asset activity for the year ended June 30, 2008 was as follows:
(continued next page)

<u>Asset</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Building & Improvements	\$ 90,103			\$ 90,103
Communications Equipment	543,735	73,480		617,215
Office Equipment	83,275	75,252		158,527
Furniture & Fixtures	3,353			3,353
Vehicles	0			0
Total assets being depr.	<u>720,466</u>	<u>148,732</u>	<u>0</u>	<u>869,198</u>
Less accumulated depreciation				
For:				
Building & Improvements	(30,166)	(6,908)		(37,074)
Communications Equipment	(320,026)	(73,744)		(393,770)
Office Equipment	(72,779)	(14,795)		(87,574)
Furniture & Fixtures	(1,220)	(533)		(1,753)
Vehicles	0	0		0
Total accumulated depr.	<u>(424,192)</u>	<u>(95,980)</u>	<u>0</u>	<u>(520,172)</u>
Total Fixed Assets, net	\$ <u>296,274</u>	<u>52,752</u>	<u>0</u>	\$ <u>349,026</u>

Note 5. Compensated Absences

There were no employees as of June 30, 2008.

Note 6. Calculation of Invested in Capital Assets

Net Fixed Assets	\$ 349,026.00
Noncurrent Debt	(65,948.00)
Capital Assets, Net of Related Debt	<u>\$ 283,078.00</u>

Note 7. Lease

The District has entered into a three year lease agreement for the acquisition of communications equipment. The asset and liability under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset.

Future minimum lease payments under the capital lease as of June 30, 2008 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2009	\$ 26,808
2010	26,808
2011	<u>17,872</u>
Total minimum lease payments	71,488
Less amount representing interest	<u>5,540</u>
Present value of minimum lease payments	<u>\$ 65,948</u>

Macon County Emergency Communications District
Schedule of Revenue, Expenses, and Changes in Fund Net Assets
Budget and Actual
For the year ending June 30, 2008

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Emergency Telephone Charge	101,000.00	101,000.00	\$ 99,826.00	\$ (1,174.00)
State – Shared Wireless Charge	40,000.00	40,000.00	132,535.00	92,535.00
State – Grants	96,000.00	96,000.00	4,575.00	(91,425.00)
Interest	150.00	150.00	872.00	722.00
Other			89.00	89.00
Transfer from Fund Balance		70,000.00	0.00	(70,000.00)
Total Revenue	<u>237,150.00</u>	<u>307,150.00</u>	<u>237,897.00</u>	<u>(69,253.00)</u>
Expenses				
New Equipment	55,000.00	82,500.00	75,251.00	7,249.00
Addressing & Mapping	35,000.00	36,000.00	35,290.00	710.00
Advertising	800.00	800.00	133.00	667.00
Audit Services	1,200.00	1,200.00	1,000.00	200.00
Contracts with Government Agencies	32,000.00	0.00	0.00	0.00
Facility Relocation	0.00	10,300.00	8,536.00	1,764.00
Fees Paid to Service Providers	36,000.00	37,500.00	37,095.00	405.00
Impact Payments	1,000.00	31,000.00	31,000.00	0.00
Legal	500.00	500.00	250.00	250.00
Maintenance Agreements	12,000.00	20,000.00	17,943.00	2,057.00
Mapping & Database Consultants	2,000.00	0.00	0.00	0.00
“E911” Equipment (PSAP) Lease	0.00	10,000.00	9,266.00	734.00
Office Equipment Maintenance	16,500.00	15,000.00	11,866.00	3,134.00
Communications Equipment Maintenance	4,000.00	12,000.00	9,472.00	2,528.00
Dues & Memberships	400.00	400.00	320.00	80.00
Office Supplies	2,800.00	1,000.00	728.00	272.00
Postage	300.00	300.00	125.00	175.00
Small Equipment Purchases	12,000.00	23,000.00	21,640.00	1,360.00
Other Supplies and Materials	4,000.00	4,000.00	3,450.00	550.00
Insurance & Surety Bonds	5,650.00	5,650.00	5,299.00	351.00
Training	3,000.00	3,000.00	2,265.00	735.00
Travel	2,000.00	0.00	0.00	0.00
Cell Phones & Pagers	1,000.00	4,000.00	3,468.00	532.00
Utilities	10,000.00	9,000.00	8,650.00	350.00
Total Expenses	<u>237,150.00</u>	<u>307,150.00</u>	<u>283,047.00</u>	<u>24,103.00</u>
Net Income	<u>0.00</u>	<u>0.00</u>	<u>(45,150.00)</u>	<u>(45,150.00)</u>
Net Income (Loss) per Budget & Actual		\$ (45,150.00)		
Add: Leases		9,266.00		
Equipment purchase		75,251.00		
Less: Depreciation		(95,980.00)		
Interest Expense		(1,754.00)		
Net Income (Loss) per Financial Statements		<u>\$ (58,367.00)</u>		

Unaudited

**Macon County Emergency Communications District
Schedule of Public Safety Answering Points (PSAP)
June 30, 2008**

The Model 550 Advanced ANI/ALI Control System Plus for Macon County is provided by:

Tel Control, Inc.
POB 4087
Huntsville, AL 35815-4087
Ph. 256-881-4000 Fax 256-881-4971

The main control equipment is located at:

Macon County EMS
30 Weldon Dr.
Lafayette, TN 37083

There are three Public Safety Answering Points (PSAP's) located at:

Macon County EMS (primary answering point)
30 Weldon Dr.
Lafayette, TN 37083

Lafayette Police Department (secondary answering point)
201 E. Locust St.
Lafayette, TN 37083

Macon County Sheriff's Department (secondary answering point)
902 Hwy 52 Bypass E.
Lafayette, TN 37083

Management information:

Director
Steve Jones
30 Weldon Dr.
Lafayette, TN 37983
macon911@macontn911.com

Unaudited

**Macon County Emergency Communications District
Board of Directors
June 30, 2008**

Randall Kirby	Chairman
Steve Walker	Vice Chairman
Anna Dean Carter	Secretary/Treasurer
Teresa Patterson	Secretary
Jack Stevens	Member
Mark Gammons	Member
Terry Tuck	Member
Jerry Dallas	Member
Paulette Davis	Member
Steve Jones	Director
Jon Wells	Attorney

Hugh W. Smith, Sr.
Certified Public Accountant

Member of the American Institute of Certified Public Accountants

765 McClure Street
 Red Boiling Springs, Tennessee 37150
 (615) 699-2695
www.fwscpa.com □ hsmith@nctc.com

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*

To the Board of Directors
 Macon County Emergency Communications District
 Lafayette, Tennessee

I have audited the financial statements of Macon County Emergency Communications District, a component of Macon County, as of and for the year ended June 30, 2008, and have issued my report thereon dated January 9, 2009. I conducted my 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 my audit, I considered Macon County Emergency Communications District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Macon County Emergency Communications District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Macon County Emergency Communications District's internal control over financial reporting.

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 Macon County Emergency Communications 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 Macon County Emergency Communications District's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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 Macon County Emergency Communications District's internal control.

My 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 over financial reporting that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above..

Compliance and other Matters

As part of obtaining reasonable assurance about whether the Macon County Emergency Communications District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of Macon County Emergency Communications District, the Tennessee State Comptroller's Office, and other regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Hugh W. Smith, Sr." with a stylized flourish at the end.

January 9, 2009
Red Boiling Springs, Tennessee

**Macon County Emergency Communications District
Schedule of Findings and Responses
June 30, 2008**

Findings corrected from the previous year: 2007-1 & 2007-2.

No audit findings for the period.