

EMERGENCY COMMUNICATIONS DISTRICT
OF BEDFORD COUNTY
(A COMPONENT UNIT OF
BEDFORD COUNTY, TENNESSEE)

SHELBYVILLE, TENNESSEE

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

JUNE 30, 2009

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INTRODUCTORY SECTION

EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

Shelbyville, Tennessee

Board of Directors (unaudited)

June 30, 2009

Bill Bingham, Chairman

Tony Barrett, Vice Chairman

James Wilkerson, Secretary-Treasurer

Ed Castleman

Peggy Murdock

Dixie Parker

Jimmy Patterson

Mark Thomas

Linda Yockey

EMERGENCY 911 COMMUNICATION'S DISTRICT OF BEDFORD COUNTY

(A component unit of Bedford County, Tennessee)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2009

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 ended June 30, 2009. Please read this discussion in conjunction with the District's financial statements, which follow this section.

Overview of the Financial Statements

This annual report includes the management's discussion and analysis report, the independent auditor's report and the basic financial statements.

Required Financial Statements

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).

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 of its cost through surcharges and fees.

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.

Financial Analysis of the District

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 the 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, 2009	June 30, 2008	Difference
Current and other assets	\$ 544,820	\$ 256,458	\$ 288,362
Capital assets	<u>877,736</u>	<u>982,196</u>	<u>(104,460)</u>
Total assets	\$ <u>1,422,556</u>	\$ <u>1,238,654</u>	\$ <u>183,902</u>
Long-term liabilities outstanding	\$ 259,057	\$ 362,521	\$ (103,464)
Current liabilities	<u>165,414</u>	<u>112,712</u>	<u>52,702</u>
Total liabilities	\$ <u>424,471</u>	\$ <u>475,233</u>	\$ (<u>50,762</u>)
Net assets:			
Invested in capital assets, net of debt	\$ 515,215	\$ 522,753	\$ (7,538)
Unrestricted	<u>482,870</u>	<u>240,668</u>	<u>242,202</u>
Total net assets	\$ <u>998,085</u>	\$ <u>763,421</u>	\$ <u>234,664</u>

Condensed Statement of Revenues, Expenses And Changes in Net Assets

	June 30, 2009	June 30, 2008	Difference
Revenues:			
Operating revenues	\$ 576,389	\$ 557,730	\$ 18,659
Non-operating revenues	<u>146,593</u>	<u>9,921</u>	<u>136,672</u>
Total revenues	\$ <u>722,982</u>	\$ <u>567,651</u>	\$ <u>155,331</u>
Expenses:			
Depreciation expense	\$ 140,831	\$ 106,238	\$ 34,593
Other operating expense	320,269	247,736	72,533
Non-operating expense	<u>27,218</u>	<u>17,612</u>	<u>9,606</u>
Total expenses	\$ <u>488,318</u>	\$ <u>371,586</u>	\$ <u>116,732</u>
Change in net assets	\$ 234,664	\$ 196,065	\$ 38,599
Beginning net assets	<u>763,421</u>	<u>567,356</u>	<u>196,065</u>
Ending net assets	\$ <u>998,085</u>	\$ <u>763,421</u>	\$ <u>234,664</u>

Analysis of Financial Position and Results of Operations

As can be seen from the above summarized financial information, the District's net assets have increased approximately \$234,664 during the year ended June 30, 2009. While there was an increase in revenue of \$155,331, total expenses only increased by \$116,732.

The District's Net Assets

The District completed the year with net assets of \$998,085, which is approximately \$234,664 more than the prior year's ending net assets of \$763,421.

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 was \$28,719 less than the budgeted income. However, state shared wireless income and income from private carriers due to cell phone use increased approximately \$16,752. Shared wireless charges are fees which are difficult to estimate.

Capital Assets

The District's investment in capital assets amounts to \$1,542,252 with accumulated depreciation of \$664,516. Capital assets include the capital leases, communication equipment, furniture and fixtures, building improvements, and communication software upgrades.

Long-Term Liabilities

The District had \$362,521 in capital lease obligations outstanding as of June 30, 2009, compared with \$459,443 at June 30, 2008. These leases were entered into for the purchase of communication 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. This has become a problem in estimating revenue for budget preparation. However, recent reports from telephone companies indicate revenue may be stabilizing and may remain at a more manageable level in the future. This was true for the budget ending June 30, 2009 as actual emergency telephone surcharge revenue was short of the budget by \$28,719.

The District is still continuing to work with the Bedford County Property Assessor's Office, Shelbyville Power Systems, City of Shelbyville, and Bedford County Utility to keep the Geographic Information System (GIS) up to date. This goal of this GIS project is to continue to make available mass amounts of data in forms 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 Communication Center still maintains the EZ911 GIS to be more efficient in 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 whenever 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 picture messaging directly to the 911 Centers. This will be an IP (internet protocol) system. The Bedford County 911 Communications Center has recently installed an IP based system, so that we will be partially ready when the State wide system becomes available.

Renewal of the Tariff Rate Increase

The Bedford County Emergency Communication Center's service charge rate is scheduled for renewal in September 2009. This is to get the tariff rate at the maximum rate that is allowed. The District's rate is currently \$1.50 for residential and \$3.00 for business.

Planned Purchases for the Budget year 2009/2010

The Bedford County Emergency Communication Center will be receiving a Homeland Security Grant in the amount of \$14,400 for the purchase of an Emergency Event Notification System and a Severe Weather Alert Notification System. This will allow the Bedford County Emergency Communication Center to be able to notify the citizens of Bedford County of any disasters or severe weather in Bedford County. The citizens of Bedford County will have the option to receive these notifications by signing up for them and receive the notifications by landline phone, cell phone, email, and pagers.

The Bedford County Emergency Communication Center is also planning to purchase a new vehicle. The District has recently hired an Assistant Director and the purchase of another vehicle will allow the Director and the Assistant Director to have a vehicle to drive. The Director and Assistant Director are on call 24 hours a day 7 days a week to be called in from wherever they may be. Another need for the vehicle is for our GIS and mapping specialist to be able to go out daily to work on mapping and addressing. The second vehicle will allow the District to have a vehicle available for the Director and Assistant Director as needed.

FINANCIAL SECTION



JOB, HASTINGS & ASSOCIATES

Certified Public Accountants

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Donna K. Hastings, CPA, CSEP

James R. Jobe, CPA

Joel H. Jobe (1944 - 2006)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Emergency Communications District of Bedford County
Shelbyville, Tennessee

We have audited the accompanying statement of net assets of Emergency Communications District of Bedford County, a component unit of Bedford County, Tennessee, as of June 30, 2009, and the related statements of revenues, expenses, and changes in fund net assets, and cash flows for the year then ended. These financial statements are the responsibility of the management of Emergency Communications District of Bedford County. 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 and requirements prescribed by the Comptroller of the Treasury, State of Tennessee. 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 respective financial position of Emergency Communications District of Bedford County as of June 30, 2009, and the respective changes in financial position and 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 September 30, 2009 on our consideration of Emergency Communications District of Bedford County's internal control over financial reporting and on our tests on 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 should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 1 through 3 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 of it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Emergency Communications District of Bedford County's basic financial statements. The introductory section and the supplementary section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and the supplementary section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Jake Hastings: Associates
Certified Public Accountants

Murfreesboro, Tennessee
September 30, 2009

EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

Shelbyville, Tennessee

Statement of Net Assets

June 30, 2009

ASSETS

Current Assets -	
Cash	\$ 453,925
Accounts receivable - fees	33,041
Due from Tennessee Emergency Communications Board	54,965
Prepaid expenses	2,789
TOTAL CURRENT ASSETS	<u>\$ 544,720</u>
Noncurrent Assets -	
Capital Assets -	
Building and improvements	\$ 57,463
Furniture and fixtures	90,343
Office equipment	68,981
Communications equipment	1,165,487
Vehicles	16,414
Other capital assets	143,564
	<u>\$ 1,542,252</u>
Less: accumulated depreciation	664,516
	<u>\$ 877,736</u>
Other Assets -	
Security deposits	\$ 100
TOTAL ASSETS	<u>\$ 1,422,556</u>

LIABILITIES

Current Liabilities -	
Accounts payable	\$ 4,148
Payroll deductions payable	94
Due to primary government	57,708
Capitalized lease obligations - current	103,464
TOTAL CURRENT LIABILITIES	<u>\$ 165,414</u>
Long-term Liabilities -	
Capitalized lease obligations	\$ 259,057
	<u>\$ 424,471</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 515,215
Unrestricted net assets	482,870
TOTAL NET ASSETS	<u>\$ 998,085</u>

See notes to financial statements.

EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

Shelbyville, Tennessee

Statement of Revenues, Expenses and Changes in Fund Net Assets

For the Year Ended June 30, 2009

Operating Revenues -	
Emergency telephone service charge	\$ 371,281
Tennessee Emergency Communications Board - shared wireless charge	96,752
Tennessee Emergency Communications Board - operational funding	104,081
Revenue from contracted services	4,275
	<u>\$ 576,389</u>
Operating Expenses -	
Salaries and Wages -	
Salaries and wages - director	\$ 59,221
Salaries and wages - dispatchers	111,546
	<u>\$ 170,767</u>
Contracted Services -	
Address/mapping expenses	\$ 5,924
Advertising	305
Audit services	2,500
Accounting services	2,750
Fees paid to service providers	30,295
Legal services	6,800
Maintenance agreements	15,581
Other consultants	1,638
Pest control	855
Lease/rental - communications equipment	978
Lease/rental - buildings & facilities	235
Lease/rental - furniture and fixtures	122
Maintenance and repairs - communications equipment	799
Maintenance and repairs - buildings and facilities	7,262
Maintenance and repairs - vehicles	559
Maintenance and repairs - internet	1,421
Maintenance and repairs - language line	42
	<u>\$ 78,066</u>
Supplies and Materials -	
Office supplies	\$ 4,393
Custodial supplies	1,356
Postal charges	658
Small equipment purchases	10,141
Uniforms and shirts	7,776
Utilities - electric	18,093
Utilities - gas	501
Utilities - general telephone	6,776
Utilities - cell phones and pagers	5,969
Other supplies and materials	1,369
	<u>\$ 57,032</u>

EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

Shelbyville, Tennessee

Statement of Revenues, Expenses and Changes in Fund Net Assets (continued)

For the Year Ended June 30, 2009

Other Charges -		
Board meeting expenses	\$	773
Dues and memberships		798
Employee testing and exams		2,090
Premiums on surety bonds		1,085
Service awards		2,493
Training expenses		2,085
Travel expenses		5,080
	\$	<u>14,404</u>
Depreciation expense	\$	<u>126,948</u>
Amortization expense	\$	<u>13,883</u>
	TOTAL OPERATING EXPENSES	\$ <u>461,100</u>
	OPERATING INCOME	\$ <u>115,289</u>
Nonoperating Revenues (Expenses) -		
Interest income	\$	532
Tennessee Emergency Communications Board - grants and reimbursements		146,061
Interest expense		(27,218)
	\$	<u>119,375</u>
	CHANGE IN NET ASSETS	\$ <u>234,664</u>
Net assets, July 1, 2008		<u>763,421</u>
	NET ASSETS, JUNE 30, 2009	\$ <u><u>998,085</u></u>

See notes to financial statements.

EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

Shelbyville, Tennessee

Statement of Cash Flows

For the Year Ended June 30, 2009

Cash Flows From Operating Activities -		
Cash received from surcharges and other revenues	\$	534,576
Cash payments to suppliers for goods and services		(273,341)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	<u>261,235</u>
Cash Flows From Capital and Related Financing Activities -		
Grants and reimbursements - capital reimbursement	\$	146,061
Principal paid on lease obligations		(96,922)
Interest paid on lease obligations		(27,218)
Acquisition of capital assets		(36,371)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$	<u>(14,450)</u>
Cash Flows from Investing Activities -		
Interest income received	\$	532
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$	<u>532</u>
	NET INCREASE IN CASH	\$ 247,317
Cash, July 1, 2008		206,608
	CASH, JUNE 30, 2008	<u>\$ 453,925</u>
Reconciliation of Operating Income to Net		
Cash Provided by Operating Activities -		
Operating income	\$	115,289
Adjustments to reconcile operating income to net cash		
flows from operating activities -		
Depreciation		126,948
Amortization		13,883
Changes in assets and liabilities -		
Increase in accounts receivable - fees		(1,973)
Increase in due from Tennessee Emergency Communications Board		(39,840)
Decrease in prepaid expenses		768
Decrease in accounts payable		(11,642)
Increase in payroll deductions payable		94
Increase in due to primary government		57,708
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	<u>261,235</u>
Cash paid during the year for interest	\$	<u>27,218</u>

See notes to financial statements.

EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

Shelbyville, Tennessee

Notes to the Financial Statements

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information - On May 15, 1984, the Tennessee state legislature approved the "Tennessee Emergency Communications District Law" (Acts 1984, ch. 867) which enables a county, upon approval by voters, to create a district to provide local emergency telephone service. Subsequently, in July, 1987, the county legislative body of Bedford County, Tennessee approved the establishment of a district for their county, the Emergency Communications District of Bedford County (the "District"). As provided by the Act, the District operates as a governmental organization through the directives of a nine-member board of directors and provides enhanced 9-1-1 emergency telephone service for its service area. The directors serve without compensation for terms of three to four years.

Financial Reporting Entity - Component Unit - As specified and described by Standard 14 of the Governmental Accounting Standards Board (GASB); the District is a component unit of the primary government of Bedford County, Tennessee. The District reports its financial information separately from Bedford County; however, the District's financial information should also be discretely presented by the County in its financial report.

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 Bedford County mayor and approved by the Bedford County commission, the District cannot be a primary government. Instead it qualifies as a component unit according to the directives of GASB.

GASB 14 specifies that component units must be legally separate organizations that have financial accountability to a primary government. Financial accountability exists prima facie if a special-purpose government is not fiscally independent. GASB states that to be fiscally independent, the government has to have the authority to do all of three activities. Two of these are to issue bonded debt without approval by another government and to levy taxes or set rates or charges without approval by another government. By Tennessee Code Annotated 7-86-114, before issuing negotiable bonds, the District must have approval of the legislative body of a county wherein a district is established. It also must have approval before making purchase contracts, lease agreements, and notes payable of over five years' duration. In addition, the Bedford County commission has the ability to adjust the District's service charges. Because the District is both a legal entity and financially accountable to the primary government of Bedford County as the County Commission approves all members of the governing board and by the nature of its fiscal dependence on Bedford County as described above, it is a component unit of Bedford County.

At June 30, 2009, there was a payable to Bedford County by the District in the amount of \$57,708. The District did not engage in any activities that were subject to the approval of Bedford County.

Basis of Presentation and Accounting - As a governmental entity, the district abides by the accounting rules and regulations issued by the Governmental Accounting Standards Board (GASB) as well as the Financial Accounting Standard Board issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. After November 30, 1989, the District follows GASB guidance only and does not follow any FASB guidance issued after that date. Promulgations of that board require that the accrual method of accounting be used for governmental units that operate in a manner similar to a private business.

The District does not have the authority to levy or collect taxes but is supported instead by the fees collected from telephone subscribers who benefit from the availability of its service. It recovers the cost of providing its services from its customers. Consequently, the District functions in a manner similar to a private business enterprise and utilizes the accrual method of accounting. Income is recognized as it is earned and expenses are recognized as they are incurred whether or not cash is received or paid out at that time.

EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

Shelbyville, Tennessee

Notes to the Financial Statements (continued)

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net assets, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenue; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted for debt service; and unrestricted components. As of June 30, 2009, the District had an outstanding balance on a capital lease, amounts due the primary government, and accounts payable for vendor services.

Budgetary Law and Practice - The treasurer of the District files an annual budget with the mayor of Bedford County in accordance with the Tennessee Code Annotated, Title 7, Chapter 86, Part 1. In March of each year, the treasurer presents a preliminary budget to the board of directors. The budget is then discussed and amended as necessary for approval by the board.

The budget for operations is prepared on the modified cash receipts and disbursements basis by line item accounts. Revenues are budgeted in the year receipt is expected and disbursements are budgeted in the year that the disbursement is expected to occur. Capital lease payments are budgeted in total; however, depreciation and amortization expenses are not budgeted.

Capital Assets - Capital assets are stated at cost or estimated historical cost if actual cost is not available and depreciated five years-transportation equipment, ten years-equipment, and forty years-buildings by the straight-line method of depreciation. The District defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Maintenance and repairs are charged to operations when incurred. Major renewals and betterments are capitalized. When items of property are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included as non-operating revenue or loss.

Use of Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash Flow - Cash and Cash Equivalents - The District presents its cash flow statement using the direct method. For purposes of cash flow presentation, the District considers cash in operating bank accounts, cash on hand, , and certificates of deposit with an original maturity of 90 days or less to be cash and cash equivalents. At June 30, 2009, the District did not hold any certificates of deposit.

Use of Facilities - The District conducts its operations in a building owned by Bedford County at no cost to the District. The measurement of the contribution from Bedford County is not considered material for disclosure as in-kind support and as expense in the accompanying statements of revenue, expenses, and changes in net assets.

EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

Shelbyville, Tennessee

Notes to the Financial Statements (continued)

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses – The District’s operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its system. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the District’s policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

NOTE B - CASH AND CASH EQUIVALENTS

The District is authorized to make investments in bonds, notes or treasury bills of the United States, Federal Land Bank bonds, Federal Home Loan Bank notes and bonds, Federal National Mortgage Association notes and debentures, banks for cooperative debentures, or any of its other agencies, or obligations guaranteed as to principal and interest by the United States or any of its agencies with a maturity not greater than one year, or in the pooled investment fund established under Tennessee law. During the year ended June 30, 2009 the board of directors chose to limit the investment of funds to deposits at banks.

Cash - At June 30, 2009, the carrying amount of cash deposits was \$453,925 and the bank balance was \$493,834. At June 30, 2009, the entire bank balance was covered by federal depository insurance, or by collateral held in the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool (the pool) is a multiple financial institution collateral pool to which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the members of the pool if the value of collateral is inadequate to cover a loss.

<u>Cash Accounts</u>	<u>Interest Rate</u>	<u>June 30, 2009</u>	
		<u>Carrying Amount</u>	<u>Bank Balance</u>
Regions Bank checking	N/A	\$ 259,445	\$ 299,355
Regions Bank money market	.60%	194,480	194,479
		\$ <u>453,925</u>	\$ <u>493,834</u>

NOTE C - ACCOUNTS RECEIVABLE

The District receives the majority of its revenue from the telephone subscribers residing within Bedford County. As provided in the Act, telephone companies collect the 911 fees from the subscribers and remit the funds on a not longer than bi-monthly basis to the District. The policy of the telephone companies has been to remit based upon their billings rather than on their collections. Accordingly, the financial statements do not include a provision for bad debts.

The following is the detail of the receivables at June 30, 2009:

AT&T	\$ 20,807
United Telephone	4,576
Charter Fiberlink	1,692
Others	5,966
	\$ <u>33,041</u>

EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

Shelbyville, Tennessee

Notes to the Financial Statements (continued)

June 30, 2009

NOTE D - CAPITAL ASSETS

Capital assets are summarized as follows:

	June 30, 2008	Additions	Deletions	June 30, 2009
<u>Capital assets, being depreciated -</u>				
Building and improvements	\$ 50,573	\$ 6,890		\$ 57,463
Furniture and fixtures	86,922	3,421		90,343
Office equipment	68,981			68,981
Communications equipment	1,139,427	26,060		1,165,487
Vehicle	16,414			16,414
Other fixed assets	143,564			143,564
Subtotal	\$ 1,505,881	\$ 36,371		\$ 1,542,252
<u>Less accumulated depreciation and amortization -</u>				
Building and improvements	\$ (4,552)	\$ (1,922)		\$ (6,474)
Furniture and fixtures	(7,330)	(8,629)		(15,959)
Office equipment	(34,167)	(5,897)		(40,064)
Communications equipment	(419,905)	(107,218)		(527,123)
Vehicle	(13,132)	(3,282)		(16,414)
Other fixed assets	(44,599)	(13,883)		(58,482)
Subtotal	\$ (523,685)	\$ (140,831)		\$ (664,516)
Capital assets, being depreciated, net	\$ 982,196	\$ (104,460)		\$ 877,736

Additions to depreciation expense are reported in the financial statements as \$126,948 depreciation expense and \$13,883 amortization expense for a total of \$140,831 as presented in the above schedule.

NOTE E - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is covered under insurance policies maintained by Bedford County. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE F - ACCOUNTS PAYABLE

Accounts payable includes amounts due vendors in the amount of \$4,148 at June 30, 2009.

NOTE G - 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	(95,727)
Total, net	\$ 508,864

EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

Shelbyville, Tennessee

Notes to the Financial Statements (continued)

June 30, 2009

NOTE G - CAPITAL LEASE OBLIGATIONS (continued)

The future minimum lease obligations and the new present value of the minimum lease payments as of June 30, 2009, are as follows:

Year Ending	
<u>June 30,</u>	
2010	\$ 124,140
2011	124,140
2012	124,140
2013	<u>31,035</u>
Total minimum lease payments	\$ 403,455
Less: amount representing interest	<u>(40,934)</u>
Present value of minimum lease payments	\$ <u>362,521</u>

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

NOTE H - LONG-TERM DEBT

Long-term liability activity for capital leases the year ended June 30, 2009, was as follows:

<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
<u>July 1, 2008</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2009</u>	<u>One Year</u>
\$ 459,443		\$ 96,922	\$ 362,521	\$ 103,464

NOTE I - RELATED PARTY TRANSACTIONS

Bedford County provides administrative and dispatch employees and certain services to the District. The expenses, which are primarily salaries, employee benefits, and services, are billed to the District on an "as needed" basis. Amounts paid to Bedford County for the fiscal year 2009 totaled \$162,307.

SUPPLEMENTARY INFORMATION

EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

Shelbyville, Tennessee

Comparison of Actual Modified Cash Receipts and Disbursements to Modified Cash Budget (Unaudited)

For the Year Ended June 30, 2009

	Modified Cash Receipts and Disbursements	Modified Cash Budget	(Over) Under Budget
Cash Receipts -			
Emergency telephone service charges	\$ 371,281	\$ 400,000	\$ 28,719
Tennessee Emergency Communications Board -			
Shared wireless charge	96,752	80,000	(16,752)
Interest income	532	700	168
Tennessee Emergency Communications Board-			
Operational funding	104,081	154,074	49,993
Grants and reimbursements	146,061	114,947	(31,114)
Revenue from contracted services	4,275	7,200	2,925
Total Modified Cash Basis Receipts	<u>\$ 722,982</u>	<u>\$ 756,921</u>	<u>\$ 33,939</u>
Cash Disbursements -			
Capital purchases	\$ 36,371	\$ 50,000	\$ 13,629
Salaries and wages -			
Director	\$ 59,221	\$ 60,753	\$ 1,532
Dispatcher personnel reimbursement	111,546	191,134	79,588
	<u>\$ 170,767</u>	<u>\$ 251,887</u>	<u>\$ 81,120</u>
Contracted services -			
Address/mapping expenses	\$ 5,924	\$ 6,000	\$ 76
Advertising	305	800	495
Audit services	2,500	3,000	500
Accounting services	2,750	3,600	850
Engineering services		22,500	22,500
Fees paid to service providers	30,295	42,000	11,705
Legal services	6,800	6,800	-
Maintenance agreements	15,581	30,000	14,419
Other consultants	1,638	10,000	8,362
Pest control	855	1,750	895
Lease/rental-communications equipment	978	124,140	123,162
Lease/rental-buildings and facilities	235	235	-
Lease/rental-office equipment	122	10,000	9,878
Maintenance and repairs - communications equipment	799	15,000	14,201
Maintenance and repairs - buildings and facilities	7,262	12,000	4,738
Maintenance and repairs - office equipment		3,000	3,000
Maintenance and repairs - vehicles	559	3,000	2,441
Maintenance and repairs - internet	1,421	1,421	-
Maintenance and repairs - language line	42	1,200	1,158
	<u>\$ 78,066</u>	<u>\$ 296,446</u>	<u>\$ 218,380</u>
Supplies and materials -			
Office supplies	\$ 4,393	\$ 10,000	\$ 5,607
Custodial supplies	1,356	3,500	2,144
Postal charges	658	1,800	1,142
Small equipment purchases	10,141	12,000	1,859
Uniforms and shirts	7,776	7,776	-
Utilities - electric	18,093	18,093	-
Utilities - gas	501	1,500	999
Utilities - general telephone	6,776	10,000	3,224
Utilities - cell phones and pagers	5,969	6,000	31
Other supplies and materials	1,369	5,000	3,631
	<u>\$ 57,032</u>	<u>\$ 75,669</u>	<u>\$ 18,637</u>

EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

Shelbyville, Tennessee

Comparison of Actual Cash Receipts and Disbursements to Modified Cash Budget (Unaudited), (continued)

For the Year Ended June 30, 2009

Other charges -			
Board meeting expenses	\$ 773	\$ 1,000	\$ 227
Claims and judgements		10,000	10,000
Dues and memberships	798	6,000	5,202
Employee testing and exams	2,090	2,090	-
Insurance - liability		6,000	6,000
Insurance - building and contents		12,000	12,000
Insurance - vehicles		1,200	1,200
Premiums on surety bonds	1,085	2,500	1,415
Public education		2,000	2,000
Service awards	2,493	3,000	507
Training expenses	2,085	15,000	12,915
Travel expenses	5,080	16,000	10,920
	<u>\$ 14,404</u>	<u>\$ 76,790</u>	<u>\$ 62,386</u>
Total Modified Cash Basis Disbursements	<u>\$ 356,640</u>	<u>\$ 750,792</u>	<u>\$ 394,152</u>
Receipts in Excess of Disbursements	<u>\$ 366,342</u>	<u>\$ 6,129</u>	<u>\$ (360,213)</u>
Reconciliation of Modified Cash Basis to Accrual Basis -			
Depreciation expense	\$ (126,948)		
Amortization expense	(13,883)		
Interest expense	(27,218)		
Capital purchases	36,371		
Net Reconciliation Modified Cash to Accrual	<u>\$ (131,678)</u>		
CHANGE IN NET ASSETS (ACCRUAL)	<u>\$ 234,664</u>		
Net assets, July 1, 2008		<u>763,421</u>	
NET ASSETS, JUNE 30, 2009		<u><u>\$ 998,085</u></u>	

EMERGENCY COMMUNICATIONS DISTRICT OF BEDFORD COUNTY

Shelbyville, Tennessee

Schedule of Information Required by the Tennessee Communications Board (unaudited)

June 30, 2009

The number of public safety answering points (PSAP): One (1)

The address of each PSAP: Emergency Communications District of Bedford County
843 Union Street
Shelbyville, Tennessee 37160

The type of system/equipment and database
used by each PSAP: Bedford County - T-5 Radio System/Positron CAD/ANI/ALI

The name, address, telephone number, and
fax number of the director of the ECD: Cathey Mathis
843 Union Street
Shelbyville, Tennessee 37160
Phone 931-684-3411
Fax 931-680-7477

The name, address, telephone number, and
fax number of the chairman of the ECD: Bill Bingham
177 Coop Road
Bell Buckle, Tennessee 37020
Phone 931-389-9312
Fax N/A

INTERNAL CONTROL AND COMPLIANCE SECTION



JOB, HASTINGS & ASSOCIATES

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Donna K. Hastings, CPA, CSEP

James R. Jobe, CPA

Joel H. Jobe (1944 - 2006)

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
Emergency Communications District of Bedford County
Shelbyville, Tennessee

We have audited the financial statements of Emergency Communications District of Bedford County, a component unit of Bedford County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise the Emergency Communications District of Bedford County's basic financial statements and have issued our report thereon dated September 30, 2009. 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 Audit Standards*, issued by the Comptroller General of the United States and requirements prescribed by the Comptroller of the Treasury, State of Tennessee.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Emergency 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 District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Emergency 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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Emergency Communications District of Bedford County's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting:

There is a deficiency in segregation of duties. Due to the lack of administrative personnel employed regularly during the fiscal year, there is a lack of appropriate segregation of duties related to accounting responsibilities. Whenever possible the duties for preparing deposit slips, opening mail, depositing cash receipts, and preparing and signing disbursement checks should be segregated. Improvements appear to have been made since the previous year; however due to lack of personnel the problem has not been completely solved.

Response: Management will continue to attempt to segregate duties whenever possible. As of June 8, 2009, the administrative office was fully staffed and management believes this deficiency has been corrected.

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 Emergency 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 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 the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Emergency 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Emergency Communications District of Bedford County in a separate letter dated September 30, 2009.

Emergency Communications District of Bedford County's response to the finding identified in our audit is described above. We did not audit Emergency 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 the board of directors, Bedford County Board of Commissioners, and appropriate regulatory authorities and is not intended to be and should not be used by anyone other than these specified parties.

John, Hastings & Associates
Certified Public Accountants

Murfreesboro, Tennessee
September 30, 2009