

MACON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2009

HUGH W. SMITH, SR.
CERTIFIED PUBLIC ACCOUNTANT



America Counts on CPAs

MACON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**JUNE 30, 2009****TABLE OF CONTENTS**

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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, 2009, 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, 2009, 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, December 16, 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.

December 16, 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, 2009

Assets

Current Assets

Cash & Cash Equivalents	\$ 58,079	
Grants Receivable from State	25,098	
Accounts Receivable	7,923	
<i>Total Current Assets</i>		\$ <u>91,100</u>

Fixed Assets

Buildings and Improvements	\$ 90,103	
Accumulated Depreciation-Buildings and Improvements	(42,495)	
Furniture and Fixtures	3,353	
Accumulated Depreciation-Furniture and Fixtures	(2,286)	
Office Equipment	179,414	
Accumulated Depreciation-Office Equipment	(111,195)	
Communications Equipment	571,296	
Accumulated Depreciation-Communications Equipment	(427,214)	
Total Fixed Assets		<u>260,976</u>

Total Assets \$ 352,076

Liabilities and Net Assets

Liabilities

Lease Payable short-term	\$ 24,954	
Lease Payable long-term	17,481	
Total Liabilities		<u>42,435</u>

Net Assets

Invested in Capital Assets, Net of Related Debt	218,541	
Unrestricted Net Assets	91,100	

Total Net Assets \$ 309,641

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, 2009

Operating Revenue

Emergency Telephone Charge	\$	96,975	\$
State – Shared Wireless Charge		113,653	
State Grants		84,303	
Total operating revenue			<u>294,931</u>

Operating Expenses

Contracted Services

Director	48,225
Part time personnel	2,976
Medicare	339
Social security	1,449
Addressing & Mapping	14,530
Advertising	568
Audit Services	1,270
Accounting services	100
Fees Paid to Service Providers	37,752
Legal Services	200
Impact Payments	1,000
Maintenance Agreements	23,368
Mapping & Database Consultants	1,000
<u>Maintenance & Repairs</u>	
Communications Equipment	23,424
Building and Facilities	14,936
Office Equipment	22,491
Total Contracted Services	<u>193,628</u>

Supplies & Materials

Office Supplies	1,522
Postage	150
Small Equipment Purchases	15,853
Other Supplies and Materials	2,179
General Telephone	8,911
<u>Utilities</u>	
Cell Phones & Pagers	3,532
Total Supplies & Materials	<u>32,147</u>

Other Charges

Dues and Memberships	425
Training	2,450
Travel	5,992
Insurance	5,790
Premium on Surety Bonds	650
Total Other Charges	<u>15,307</u>

Depreciation

93,635

Total Operating Expenses (334,717)

Net Operating Income (Loss) (39,786)

Nonoperating Revenues (Expenses)

Interest Income	429
Loss on Sale of Equipment	(11,303)
Interest Expense	(3,295)
Total Nonoperating Revenue (Expenses)	<u>(14,169)</u>

Increase (Decrease) in Net Assets (53,955)

Net Assets Beginning 363,596

Net Assets Ending \$ 309,641

See Accompanying Notes to the Financial Statements

Macon County Emergency Communications District
Statement of Cash Flow
June 30, 2009

Cash Flows From Operating Activities

Cash received from Operations	\$ 270,161	
Cash payments for Goods and Services	(241,082)	
Net Cash Provided by Operating Activities		\$ <u>29,079</u>

Cash Flows from Capital & Related Financing Activities

Principal & Interest on lease	(26,808)	
Net Cash Used by Capital & Related Financing Activities		(26,808)

Cash Flows from Investing Activities

Increase in Fixed Assets	(20,888)	
Sale of Equipment	4,000	
Interest Received	429	
		(16,459)

Net Increase in Cash and Cash Equivalents (14,188)

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

Cash and Cash Equivalents at June 30, 2009 \$ 58,079

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

Net Operating Income (Loss)	\$ (39,786)	
Depreciation	93,635	
(Increase) Decrease in Accounts Receivable	(24,770)	
		\$ <u><u>29,079</u></u>

See Accompanying Notes to the Financial Statements

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Macon County Emergency Communications District
Notes to the Financial Statements
June 30, 2009

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, 2009, the District's bank balance of \$82,405.63 was covered by the Federal Deposit Insurance Corporation (FDIC).

Note 3. Risk Management

<u>Type</u>	<u>Limits</u>
Surety coverage	\$ 130,000
Equipment coverage	\$1,000,000

No claims have been made during the past three years.

Note 4. Fixed Assets

Fixed asset activity for the year ended June 30, 2009 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	617,215		45,919	571,296
Office Equipment	158,527	20,888		179,415
Furniture & Fixtures	3,353			3,353
Vehicles	0			0
Total assets being depr.	<u>869,198</u>	<u>20,888</u>	<u>45,919</u>	<u>844,167</u>
Less accumulated depreciation				
For:				
Building & Improvements	(37,074)	(5,421)		(42,495)
Communications Equipment	(393,770)	(64,060)	30,616	(427,214)
Office Equipment	(87,574)	(23,622)		(111,196)
Furniture & Fixtures	(1,753)	(533)		(2,286)
Total accumulated depr.	<u>(520,171)</u>	<u>(93,636)</u>	<u>30,616</u>	<u>(583,191)</u>
Total Fixed Assets, net	\$ <u>349,027</u>	\$ <u>(72,748)</u>	<u>76,535</u>	\$ <u>260,976</u>

Note 5. Compensated Absences

As of June 30, 2009 the District has a Director, and one part time employee. The Board has not adopted a policy for compensated absences.

Note 6. Calculation of Invested in Capital Assets

Net Fixed Assets	\$ 260,976.00
Noncurrent Debt	(42,435.00)
Capital Assets, Net of Related Debt	<u>\$ 218,541.00</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, 2009 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2010	\$ 26,808
2011	<u>17,872</u>
Total minimum lease payments	44,680
Less amount representing interest	<u>2,245</u>
Present value of minimum lease payments	<u>\$ 42,435</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, 2009

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Emergency Telephone Charge	98,400	96,000	\$ 96,975	\$ 975
State – Shared Wireless Charge	40,000	48,000	113,653	65,653
State – Grants	96,000	138,000	84,303	(53,697)
Interest	150	150	429	279
Other		4,000	0	(4,000)
Transfer from Fund Balance		22,000		(22,000)
Total Revenue	<u>234,550</u>	<u>308,150</u>	<u>295,360</u>	<u>(12,790)</u>
Expenses				
New Equipment	10,000	28,000	20,888	7,112
Director of Operations		48,225	48,225	0
Part Time Personnel		5,000	2,976	2,024
Medicare Tax		2,300	339	1,961
Social Security Tax		4,000	1,449	2,551
Addressing & Mapping	65,000	16,000	14,530	1,470
Advertising	800	800	568	232
Audit Services	1,200	1,275	1,270	5
Accounting Services		600	100	500
Contracts with Government Agencies	2,000	0	0	0
Fees Paid to Service Providers	38,000	38,000	37,752	248
Impact Payments	1,000	1,000	1,000	0
Legal	500	500	200	300
Maintenance Agreements	12,000	23,000	23,368	(368)
Mapping & Database Consultants	2,000	1,800	1,000	800
“E911” Equipment (PSAP) Lease	28,000	27,000	23,514	3,486
Office Equipment Maintenance	16,000	26,000	22,491	3,509
Communications Equipment Maintenance	7,000	24,000	23,424	576
Buildings and Facilities Maintenance	2,000	15,000	14,936	64
Dues & Memberships	400	500	425	75
Office Supplies	2,800	2,800	1,522	1,278
Postage	300	300	150	150
Small Equipment Purchases	9,000	9,000	15,853	(6,853)
Insurance & Surety Bonds	9,050	6,550	6,440	110
Training	3,000	3,000	2,450	550
Travel	6,000	6,000	5,992	8
Other Supplies & Materials	4,000	3,000	2,179	821
Cell Phones & Pagers	4,500	4,500	3,532	968
Utilities	10,000	10,000	8,911	1,089
Total Expenses	<u>234,550</u>	<u>308,150</u>	<u>285,484</u>	<u>22,666</u>
Net Income	<u>0</u>	<u>0</u>	<u>9,876</u>	<u>9,876</u>
Net Income (Loss) per Budget & Actual		\$ 9,876		
Add: Leases		23,514		
Equipment purchase		20,888		
Less: Depreciation		(93,635)		
Loss on Sale of Equipment		(11,303)		
Interest Expense		(3,295)		
Net Income (Loss) per Financial Statements		<u>\$ (53,955)</u>		

Unaudited

**Macon County Emergency Communications District
Schedule of Public Safety Answering Points (PSAP)
June 30, 2009**

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, 2009**

Randall Kirby	Chairman
Steve Walker	Vice Chairman
Teresa Patterson	Secretary/Treasurer
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.
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Member of the American Institute of Certified Public Accountants

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

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, 2009, and have issued my report thereon dated December 16, 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. I consider the deficiency described as: 2009-01 in the accompanying schedule of findings and responses, to be a significant deficiency in internal control over financial reporting.

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. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under

Government Auditing Standards and which are described in the accompanying schedule of findings and responses as item 2009-02. 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 a 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*.

The Macon County Emergency Communications District's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit the Macon County Emergency Communications District's responses and, accordingly, I express no opinion on them.

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.



December 16, 2009
Red Boiling Springs, Tennessee

**Macon County Emergency Communications District
Schedule of Findings and Responses
June 30, 2009**

2009-1.

Condition Monthly bank statements not reconciled to book balance.

Criteria Monthly bank reconciliations are performed to detect errors.

Effect Incorrect data to support the preparation of the financial statements.

Recommendation

Management should adopt policies and procedures to address this finding.

Managements Response

During the 2008/2009 Budget the District's Treasurer passed away. A new Treasure had to appointed temporarily before becoming permanent. The newly appointed Treasurer is in the process of developing a protocol for the duties of Treasurer which will resolve this deficiency.

2009-2

Condition Some items in the budget were exceeded.

Criteria The district is required to not spend more than allotted in each line item in the budget.

Effect Managements ability to forecast year end fund balance is influenced by staying within the amount budgeted for each line item.

Recommendation

Management should review on a monthly basis the status of all the line items.

Managements Response

Due to a previous Macon County ECD, capitalization policy some line items were entered under the wrong line items. Management will review this policy and make appropriate changes to correct line item utilization in the future.