

FRANKLIN COUNTY
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

June 30, 2013



BEAN, RHOTON & KELLEY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
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June 30, 2013**

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INTRODUCTORY SECTION - UNAUDITED

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
INTRODUCTORY SECTION - UNAUDITED
June 30, 2013**

ROSTER OF BOARD MEMBERS

Danny Smith - Chairman
Winchester, TN

Eddie Clark – Vice Chairman
Winchester, TN

Jim Mitchell – Treasurer
Estill Springs, TN

John K. Bell – Secretary
Winchester, TN

Delinda McDonald
Winchester, TN

Scott Smith
Winchester, TN

Rex Cowley
Decherd, TN

Rocky Morris
Sewanee, TN

Lorraine Singer
Winchester, TN

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Association of Government Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Franklin County Emergency Communications District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basis financial statements is not affected by this missing information.

Other Information

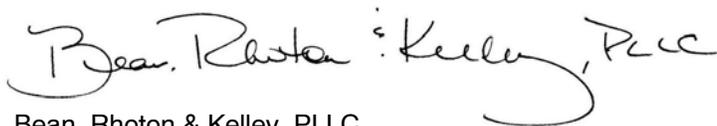
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Franklin County Emergency Communications District's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2013, on our consideration of the Franklin County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin County Emergency Communications District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bean, Rhoton & Kelley, PLLC". The signature is written in dark ink and is positioned above the typed name and date.

Bean, Rhoton & Kelley, PLLC
September 13, 2013

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
June 30, 2013**

ASSETS

Current assets:

Cash and cash equivalents	\$ 752,246.11
Certificates of deposit	818,091.50
Accounts receivable	<u>58,730.68</u>
Total current assets	<u><u>1,629,068.29</u></u>

Noncurrent assets:

Capital assets:

Equipment, net of accumulated depreciation	<u>103,835.78</u>
Total noncurrent assets	<u>103,835.78</u>

Total assets	<u><u>\$ 1,732,904.07</u></u>
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LIABILITIES

Current liabilities:

Accounts payable	\$ 185.00
Current portion of capital lease obligation	<u>66,379.20</u>
Total current liabilities	<u>66,564.20</u>

Non-current liabilities:

Capital lease obligation, net of current portion	<u>27,658.00</u>
Total non-current liabilities	<u>27,658.00</u>

Total liabilities	<u><u>\$ 94,222.20</u></u>
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NET POSITION

Invested in capital assets, net of related debt	\$ 9,798.58
Unrestricted	<u>1,628,883.29</u>
Total net position	<u><u>\$ 1,638,681.87</u></u>

The accompanying notes are an integral part of this statement.

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2013**

OPERATING REVENUES

Emergency telephone service charge	\$ 147,495.29
Tennessee Emergency Communications Board - shared wireless charge	100,900.56
Tennessee Emergency Communications Board - operational funding	206,438.00
Other operating revenues	5,827.88
Total operating revenues	<u>460,661.73</u>

OPERATING EXPENSES

Depreciation	69,864.62
Addressing/mapping expense	42,192.00
Office supplies	726.89
Telephone charges	26,048.11
Security bonds	570.00
Contracted services	14,867.13
Advertising	167.00
Impact payments	211,574.40
Licenses and fees	3,529.00
Training expenses	225.00
Board meeting expenses	419.90
Insurance	1,766.00
Travel expense	4,116.33
Uniforms & shirts	1,271.00
Postage	60.50
Total operating expenses	<u>377,397.88</u>
Operating income	<u>83,263.85</u>

NON-OPERATING REVENUES AND EXPENSES

Interest revenue	7,830.01
Interest expense	(2,542.56)
Tennessee Emergency Communications Board grants and reimbursements	70,961.94
Total non-operating revenue and expenses	<u>76,249.39</u>

Change in net position	159,513.24
Total net position - beginning	1,409,487.65
Restatement (Note 8)	69,680.98
Total net position - beginning, as restated	<u>1,479,168.63</u>
Total net position - ending	<u>\$ 1,638,681.87</u>

The accompanying notes are an integral part of this statement.

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
Year Ended June 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 487,175.30
Impact fee	(211,574.40)
Telephone charges	(26,048.11)
Mapping expense	(42,192.00)
Other receipts (payments)	(21,890.87)
Net cash provided by operating activities	<u>185,469.92</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of equipment	(253.00)
Principal paid on long term capital lease obligation	(66,379.20)
Interest paid on long term capital lease obligation	(2,542.56)
Tennessee Emergency Communications Board grants and reimbursements	38,444.40
Net cash used by capital and related financing activities	<u>(30,730.36)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Tennessee Emergency Communications Board grants and reimbursements	32,517.54
Net cash provided by noncapital financing activities	<u>32,517.54</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	7,830.01
Invested in certificates of deposit	(7,508.61)
Net cash provided by investing activities	<u>321.40</u>
Net increase in cash and cash equivalents	187,578.50
 Balances - beginning of the year	 <u>564,667.61</u>
Balances - end of the year	<u><u>752,246.11</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	83,263.85
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	69,864.62
Change in assets and liabilities:	
Receivables, net	32,431.25
Accounts payable	(89.80)
Net cash provided by operating activities	<u>\$ 185,469.92</u>

The accompanying notes are an integral part of this statement.

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activities

The Franklin County Emergency Communications District provides funds and 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 cannot 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 is primarily funded by user charges.

Fund Financial Statements

The District's proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The District classifies net position in the proprietary fund financial statements as follows:

- Invested in Capital Assets, net of related debt includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project. The District had no restrictions at June 30, 2013.
- Unrestricted Net Position typically includes unrestricted liquid assets. The Board of Directors has the authority to revisit or alter this designation.

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Deposits

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

- (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.
- (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, 2013, was \$1,570,337.61.

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 between 5 and 10 years.

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 line-item level. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 2 – CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Equipment	\$ 370,962.00	\$ 253.00	\$ 0.00	\$ 371,215.00
Less: Accumulated Depreciation	<u>(197,514.60)</u>	<u>(69,864.62)</u>	<u>0.00</u>	<u>(267,379.22)</u>
Total	<u>\$ 173,447.40</u>	<u>\$ (69,611.62)</u>	<u>\$ 0.00</u>	<u>\$ 103,835.78</u>

NOTE 3 – CASH & CASH EQUIVALENTS

At June 30, 2013, total cash was \$1,570,337.61, of which \$818,091.50 is held in certificates of deposit with maturities of more than three months, leaving \$752,246.11 considered as cash equivalents.

NOTE 4 – BUDGETING PROCEDURES

The official budget for June 30, 2013, was prepared for adoption for the proprietary fund by June 18, 2012.

NOTE 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, property, and casualty. Settlement claims have not exceeded coverage in the past three years, and there are currently no pending lawsuits.

NOTE 6 – GRANTS AND REIMBURSEMENTS

The District received a GIS grant totaling \$32,517.54 and a reimbursement for the purchase of recorder/logger equipment in the amount of \$38,444.40 during the year from the Tennessee Emergency Communications Board.

NOTE 7 – LONG-TERM DEBT

The capital lease obligation for the purchase of next generation 911 equipment was payable to AT&T Capital Services in monthly installments of \$5,743.46, including interest at 3.8% through 2015.

The following is a summary of changes in long-term debt during the 2013 fiscal year:

	<u>Beginning Balance</u>	<u>Adjustments and Additions</u>	<u>Adjustments and Retirements</u>	<u>Ending Balance</u>
AT&T Capital Services	\$ 160,416.40	\$ 0.00	\$ (66,379.20)	\$ 94,037.20
Total	<u>\$ 160,416.40</u>	<u>\$ 0.00</u>	<u>\$ (66,379.20)</u>	<u>\$ 94,037.20</u>

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 7 – LONG-TERM DEBT (continued)

A summary of annual debt service requirements at June 30, 2013 for Governmental Funds is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2014	66,379.20	2,542.32
2015	<u>27,658.00</u>	<u>1,059.30</u>
Total	<u>\$ 94,037.20</u>	<u>\$ 3,601.62</u>

NOTE 8 – RESTATEMENT

During 2013, certain matters were noted which require restatement of the prior year. Material accounts receivable were discovered during the audit, which required a restatement to correctly report certain revenue accounts.

The following summarizes the aforementioned adjustments to net position at July 1, 2012:

Fund net position, beginning of year, as previously reported	\$ 1,409,487.65
Accounts receivable	<u>69,680.98</u>
Fund net position, beginning of year as restated	<u>\$ 1,479,168.63</u>

OTHER SUPPLEMENTARY INFORMATION

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Operating Revenues				
Service charges	\$ 170,000.00	\$ 170,000.00	\$ 147,495.29	\$ (22,504.71)
TECB Shared wireless charges	160,000.00	160,000.00	100,900.56	(59,099.44)
TECB operational funding	167,000.00	167,000.00	206,438.00	39,438.00
Other operating income	0.00	0.00	5,827.88	5,827.88
Total Operating Revenues	<u>497,000.00</u>	<u>497,000.00</u>	<u>460,661.73</u>	<u>(36,338.27)</u>
Expenses				
Depreciation	8,500.00	85,500.00	69,864.62	15,635.38
Board meeting expense	500.00	600.00	419.90	180.10
Addressing/mapping expense	48,000.00	48,000.00	42,192.00	5,808.00
Repairs and maintenance	600.00	600.00	0.00	600.00
Postage	300.00	300.00	60.50	239.50
Office supplies	2,000.00	2,000.00	726.89	1,273.11
Insurance	2,000.00	2,000.00	1,766.00	234.00
Training expenses	2,000.00	2,000.00	225.00	1,775.00
Service provider fees	110,000.00	30,000.00	26,048.11	3,951.89
Premiums on surety bonds	1,000.00	1,000.00	570.00	430.00
Public education	1,200.00	1,200.00	0.00	1,200.00
Dues and memberships	700.00	3,700.00	3,529.00	171.00
Impact fees	230,000.00	230,000.00	211,574.40	18,425.60
Travel	7,000.00	7,000.00	4,116.33	2,883.67
Legal notices	700.00	700.00	167.00	533.00
Accounting services	2,600.00	2,600.00	2,600.00	0.00
Legal services	9,300.00	9,550.00	9,517.13	32.87
Uniforms and shirts	2,500.00	2,500.00	1,271.00	1,229.00
Auditing services	2,700.00	2,800.00	2,750.00	50.00
Total Expenses	<u>431,600.00</u>	<u>432,050.00</u>	<u>377,397.88</u>	<u>54,652.12</u>
Operating income	<u>65,400.00</u>	<u>64,950.00</u>	<u>83,263.85</u>	<u>18,313.85</u>
Non-Operating Revenues and Expenses				
Interest income	3,400.00	3,400.00	7,830.01	4,430.01
Interest expense	0.00	(3,000.00)	(2,542.56)	457.44
Grants/reimbursements	193,153.00	50,000.00	70,961.94	20,961.94
Miscellaneous income	200.00	200.00	0.00	(200.00)
Total non-operating revenues and expenses	<u>196,753.00</u>	<u>50,600.00</u>	<u>76,249.39</u>	<u>25,649.39</u>
	<u>262,153.00</u>	<u>115,550.00</u>	<u>159,513.24</u>	<u>43,963.24</u>
Total net position-beginning	<u>1,479,168.63</u>	<u>1,479,168.63</u>	<u>1,479,168.63</u>	<u>0.00</u>
Total net position-ending	<u>\$ 1,741,321.63</u>	<u>\$ 1,594,718.63</u>	<u>\$ 1,638,681.87</u>	<u>\$ 43,963.24</u>

See Accompanying Independent Auditors' Report.

**FRANKLIN COUNTY EMERGENCY
COMMUNICATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2013**

SCHEDULE OF STATE FINANCIAL ASSISTANCE

<u>Federal Grantor/ Pass - Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred</u>
<u>State Financial Assistance</u>						
Tennessee Emergency Communication Board	N/A	GIS Reimbursement	0.00	32,517.54	32,517.54	0.00
Tennessee Emergency Communication Board	N/A	Recorder/logger	<u>0.00</u>	<u>38,444.40</u>	<u>38,444.40</u>	<u>0.00</u>
Total State Awards			<u>\$ 0.00</u>	<u>\$ 70,961.94</u>	<u>\$ 70,961.94</u>	<u>\$ 0.00</u>

Basis of Presentation:

Note 1: The accompanying Schedule of State Financial Assistance summarized the expenditures of Franklin County Emergency Communications District under programs of the state government for the year ended June 30, 2013. The schedule is presented using the modified accrual basis of accounting.

See Accompanying Independent Auditors' Report.

INTERNAL CONTROL AND COMPLIANCE SECTION

BEAN, RHOTON & KELLEY, PLLC

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INDEPENDENT AUDITORS' 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, in accordance with the 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, the financial statements of the business-type activities of Franklin County Emergency Communications District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Franklin County Emergency Communications District's basic financial statements and have issued our report thereon dated September 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franklin County Emergency Communications District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin County Emergency Communications District's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency [12-01].

Compliance and Other Matters

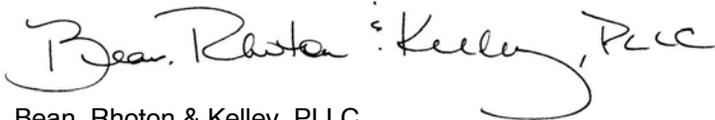
As part of obtaining reasonable assurance about whether Franklin County Emergency Communications District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with 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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item [11-02].

Franklin County Emergency Communications District's Response to Findings

Franklin County Emergency Communications District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Franklin County Emergency Communications District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bean, Rhoton & Kelley, PLLC". The signature is written in dark ink and is positioned above the typed name of the firm.

Bean, Rhoton & Kelley, PLLC
September 13, 2013

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

I. Summary of Auditors' Results

- A. The June 30, 2013, Auditors' Report on the Financial Statements was unqualified.
- B. A significant deficiency in internal control was disclosed by the audit and is discussed below in finding 12-01.
- C. An instance of noncompliance was disclosed by the audit and is discussed below in finding 11-02.

II. Findings Related to the Financial Statements, which are required to be reported in accordance with *Government Auditing Standards*.

(09-01) Budget

We noted that actual expenditures exceeded the amount appropriated in the budget.

Disposition:

As of June 30, 2013, this problem no longer exists.

(11-01) Paid late charges and penalties

During our review, we noted late charges and penalties were being paid.

Disposition:

As of June 30, 2013, this problem no longer exists.

(11-02) Violation of three-day banking deposit law

Deposits were not always made within three days of receipts.

Recommendation:

All collections of money by the district must be deposited to an official bank within three days of collection.

District's Comment:

This problem will be corrected in the coming year.

Disposition:

As of June 30, 2013, this problem still exists.

(12-01) Dual signatures

During our review of disbursements, we found at least one instance where a check was not signed by two individuals.

Recommendation:

The use of dual signatures for check writing is recommended in the Internal Control and Compliance Manual for Tennessee Municipalities. Dual signatures ensure a review of disbursements and additional examination of invoices about to be paid.

District's Comment:

This problem will be corrected in the coming year.

Disposition:

As of June 30, 2013, this problem still exists.

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

(12-02) Sales tax

During the course of the audit, it was noted that sales tax was being paid or reimbursed on some expenditures.

Disposition:

As of June 30, 2013, this problem no longer exists.