

FRANKLIN COUNTY
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

June 30, 2016



BEAN, RHOTON & KELLEY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
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June 30, 2016**

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INTRODUCTORY SECTION - UNAUDITED

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
INTRODUCTORY SECTION - UNAUDITED
June 30, 2016**

ROSTER OF BOARD MEMBERS

Danny Smith – Chairman
Winchester, TN

Eddie Clark – Vice Chairman
Winchester, TN

Jim Mitchell – Treasurer
Estill Springs, TN

Delinda McDonald – Secretary
Winchester, TN

Rex Cowley
Decherd, TN

Rocky Morris
Sewanee, TN

Lorraine Singer
Winchester, TN

Scott Smith
Winchester, TN



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, 2016, 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, 2016, 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 basic financial statements is not affected by this missing information.

Other Information

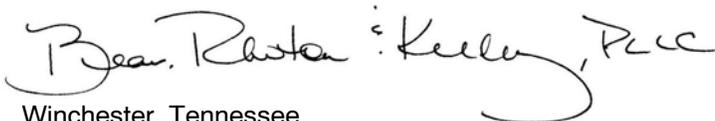
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Franklin County Emergency Communications District's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional 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 20, 2016, 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 black ink that reads "Brian Rosta". The signature is written in a cursive style with a large, sweeping flourish at the end.

Winchester, Tennessee
September 20, 2016

FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

ASSETS

Cash and cash equivalents	\$ 475,199.11
Investments	1,839,032.44
Accrued interest receivable	3,302.32
Capital assets:	
Equipment	337,457.70
Accumulated depreciation	<u>(52,822.65)</u>
Total assets	<u>2,602,168.92</u>

LIABILITIES

Accounts payable	<u>2,229.70</u>
Total liabilities	<u>2,229.70</u>

NET POSITION

Investment in capital assets	284,635.05
Unrestricted	<u>2,315,304.17</u>
Total net position	<u>\$ 2,599,939.22</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, 2016**

OPERATING REVENUES

TECB distribution of 911 surcharges (base amount)	473,622.00
TECB distribution of excess revenue	<u>9,125.00</u>
Total operating revenues	<u>482,747.00</u>

OPERATING EXPENSES

Addressing/mapping expense	42,452.00
Advertising	278.50
Board meeting expenses	321.45
Contracted services	17,400.00
Depreciation	47,040.57
Impact payments	75,000.00
Insurance	1,704.00
Licenses and fees	2,349.00
Office supplies	312.25
Other charges and software	5,000.00
Postage	275.00
Security bonds	592.00
Utilities-telephone	23,459.52
Training expenses	800.00
Travel expense	4,232.51
Total operating expenses	<u>221,216.80</u>
Operating income	<u>261,530.20</u>

NON-OPERATING REVENUES (EXPENSES)

Interest income	11,841.73
Loss on sale of fixed asset	(1,553.30)
TECB-Reimbursements	<u>66,323.35</u>
Total non-operating revenue and expenses	<u>76,611.78</u>

Change in net position	338,141.98
Net position - beginning of year	2,261,797.24
Net position - ending	<u>\$ 2,599,939.22</u>

The accompanying notes are an integral part of this statement.

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
Year Ended June 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 484,021.51
Impact fees	(75,000.00)
Telephone charges	(23,459.52)
Mapping expense	(42,452.00)
Other receipts (payments)	<u>(33,209.52)</u>
Net cash provided by operating activities	<u>309,900.47</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	<u>(238,682.68)</u>
Net cash used by capital and related financing activities	<u>(238,682.68)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Tennessee Emergency Communications Board grants and reimbursements	<u>66,323.35</u>
Net cash provided by noncapital financing activities	<u>66,323.35</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	11,786.54
Invested in certificates of deposit	<u>(11,301.19)</u>
Net cash provided by investing activities	<u>485.35</u>
Net increase in cash and cash equivalents	138,026.49
Balances - beginning of the year	<u>337,172.62</u>
Balances - end of the year	<u>\$ 475,199.11</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 261,530.20
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	47,040.57
Change in assets and liabilities:	
Prepaid expenses	2,000.00
Accounts payable	<u>(670.30)</u>
Net cash provided by operating activities	<u>\$ 309,900.47</u>

The accompanying notes are an integral part of this statement.

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

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. The District qualifies as a component unit of Franklin County, Tennessee (the primary government) because the municipality appoints the governing board on the District and the District imposes a financial burden on the municipality.

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:

- Investment in capital assets includes the District's capital assets (net of accumulated depreciation).
- 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, 2016.
- 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, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Utility Plant

Equipment and property additions are recorded at cost. Depreciation 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.

NOTE 2 – CASH & CASH EQUIVALENTS

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash represents money on deposit in various banks. Cash and investments are stated at cost, which approximates market value. A summary of cash balances is as follows:

Cash and cash equivalents	<u>\$ 475,199.11</u>
	<u>\$ 475,199.11</u>
Certificates of deposit with maturities of more than three months	<u>\$ 1,839,032.44</u>
	<u>\$ 1,839,032.44</u>

State of Tennessee law authorizes the District to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require and the District's policy is that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 2 – CASH & CASH EQUIVALENTS (continued)

At June 30, 2016, the District's bank balances totaled \$2,314,231.55. This amount was entirely insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

NOTE 3 – CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Capital assets not being depreciated:				
Construction in progress	\$ 74,882.92	\$ 224,648.68	\$(299,531.60)	\$ 0.00
	<u>74,882.92</u>	<u>224,648.68</u>	<u>(299,531.60)</u>	<u>0.00</u>
Capital assets being depreciated:				
Equipment	\$ 391,054.10	\$ 313,565.60	\$(367,162.00)	\$ 337,457.70
Less: Accumulated Depreciation	<u>(371,390.78)</u>	<u>(47,040.57)</u>	<u>365,608.70</u>	<u>(52,822.65)</u>
	<u>19,663.32</u>	<u>266,525.03</u>	<u>(1,553.30)</u>	<u>284,635.05</u>
 Total	 <u>\$ 94,546.24</u>	 <u>\$ 491,173.71</u>	 <u>\$(301,084.90)</u>	 <u>\$ 284,635.05</u>

NOTE 4 – BUDGETING PROCEDURES

The official budget for June 30, 2016, was prepared for adoption for the proprietary fund by June 15, 2015. The final budget amendments were passed on June 20, 2016.

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 grant totaling \$66,323.35 during the year for the reimbursement of a Zetron max dispatch console system from the Tennessee Emergency Communications Board.

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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Operating Revenues				
TECB operational funding	<u>\$ 475,000.00</u>	<u>\$ 475,000.00</u>	<u>\$ 482,747.00</u>	<u>\$ 7,747.00</u>
Total Operating Revenues	<u>475,000.00</u>	<u>475,000.00</u>	<u>482,747.00</u>	<u>7,747.00</u>
Expenses				
Accounting services	3,500.00	3,500.00	3,500.00	0.00
Addressing/mapping expense	48,000.00	48,000.00	42,452.00	5,548.00
Auditing services	3,800.00	3,800.00	3,700.00	100.00
Board meeting expense	1,000.00	1,000.00	321.45	678.55
Depreciation	85,500.00	85,500.00	47,040.57	38,459.43
Dues and memberships	3,700.00	3,700.00	2,349.00	1,351.00
Impact fees	75,000.00	75,000.00	75,000.00	0.00
Insurance	2,000.00	2,000.00	1,704.00	296.00
Legal notices	700.00	700.00	278.50	421.50
Legal services	17,000.00	17,000.00	10,200.00	6,800.00
Maintenance agreements	0.00	8,000.00	0.00	8,000.00
Office supplies	2,000.00	2,000.00	312.25	1,687.75
Other charges and software	6,000.00	6,000.00	5,000.00	1,000.00
Postage	400.00	400.00	275.00	125.00
Premiums on surety bonds	1,000.00	1,000.00	592.00	408.00
Public education	1,000.00	1,000.00	0.00	1,000.00
Repairs and maintenance	600.00	600.00	0.00	600.00
Service provider fees	25,000.00	25,000.00	23,459.52	1,540.48
Training expenses	7,000.00	7,000.00	800.00	6,200.00
Travel	11,000.00	11,000.00	4,232.51	6,767.49
Uniforms and shirts	1,500.00	1,500.00	0.00	1,500.00
Total Expenses	<u>295,700.00</u>	<u>303,700.00</u>	<u>221,216.80</u>	<u>82,483.20</u>
Operating income	<u>179,300.00</u>	<u>171,300.00</u>	<u>261,530.20</u>	<u>90,230.20</u>
Non-Operating Revenues and Expenses				
Interest income	3,400.00	3,400.00	11,841.73	8,441.73
Grants/reimbursements	384,000.00	384,000.00	66,323.35	(317,676.65)
Loss on sale of fixed assets	0.00	0.00	(1,553.30)	(1,553.30)
Miscellaneous income	200.00	200.00	0.00	(200.00)
Total non-operating revenues and expenses	<u>387,600.00</u>	<u>387,600.00</u>	<u>76,611.78</u>	<u>(310,988.22)</u>
Change in net position	566,900.00	558,900.00	338,141.98	(220,758.02)
Net position - beginning of year	2,261,797.24	2,261,797.24	2,261,797.24	0.00
Total net position-ending	<u>\$2,828,697.24</u>	<u>\$2,820,697.24</u>	<u>\$2,599,939.22</u>	<u>\$ (220,758.02)</u>

See Accompanying Independent Auditors' Report.

FRANKLIN COUNTY EMERGENCY
COMMUNICATION DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2016

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

<u>Pass - Through Grantor</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
Tennessee Emergency Communication Board	N/A	Reimbursement	\$ <u>66,323.35</u>
Total State Awards			\$ <u>66,323.35</u>

Basis of Presentation:

Note 1: The accompanying Schedule of Expenditures of State Financial Assistance summarizes the expenditures of Franklin County Emergency Communications District under programs of the state government for the year ended June 30, 2016. The schedule is presented using the modified accrual basis of accounting.

INTERNAL CONTROL AND COMPLIANCE SECTION



BEAN, RHOTON & KELLEY, PLLC
Certified Public Accountants

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, 2016, 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 20, 2016.

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. 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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



Bear Rosta



Kelly Rice

Winchester, Tennessee
September 20, 2016

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2016**

I. Summary of Auditors' Results

- A. The June 30, 2016, Auditors' Report on the Financial Statements was unmodified.
- B. No significant deficiencies in internal control were disclosed by the audit.
- C. No material weaknesses in internal control were disclosed by the audit.
- D. No instances of noncompliance were disclosed by the audit.

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

(2015-001) Budget

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

Disposition:

As of June 30, 2016, this problem no longer exists.

**FRANKLIN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
June 30, 2016**

Financial Statement Findings

Finding Numbers	Finding Title	Status
2015-001	Budget	Corrected