

POLK COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

TWELVE MONTHS ENDED JUNE 30, 2012

POLK COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

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June 30, 2012

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CARE OF: MAEGAN BALLEW- ADMINISTRATIVE ASSISTANT

Management's Discussion and Analysis

Our discussion and analysis of the Polk County 911 Emergency Communications District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. This should be read in conjunction with the District's financial statements, which may be found elsewhere in this document.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and statement of revenues, expenses and changes in net assets provide information about the activities of the District as a whole and present an overview of the District's finances.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about any entity's finances is: "How did the District do financially this year?" The statement of net assets and statement of revenues, expenses and changes in net assets report information in a way that helps answer this question. These statements include all assets and liabilities using accrual basis accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in net assets. Net assets -- the difference between assets and liabilities -- are one way to measure the District's financial health, or its financial position. Over time, increases or decreases to the District's net assets are an indicator of whether its financial health is improving or deteriorating. An analysis of net assets and changes in net assets is as follows:

	<u>2012</u>	<u>2011</u>
Net Assets		
Current and other assets	\$ 657,292	\$ 548,403
Capital assets	<u>251,467</u>	<u>229,959</u>
Total assets	908,759	778,362
Current liabilities	<u>(49,123)</u>	<u>(3,523)</u>
Net Assets	<u>\$ 859,636</u>	<u>\$ 774,839</u>
Summary of net assets - Invested in capital assets	\$ 251,467	\$ 229,959
Unrestricted	<u>608,169</u>	<u>544,880</u>
Total Net Assets	<u>\$ 859,636</u>	<u>\$ 774,839</u>
Change in Net Assets		
Operating revenues	\$ 235,496	\$ 250,004
Operating expenses	<u>188,599</u>	<u>176,805</u>
Operating income/(loss)	46,897	73,199
Non-operating income	<u>37,900</u>	<u>13,009</u>
Change in Net Assets	84,797	86,208
Net Assets - beginning	<u>774,839</u>	<u>688,631</u>
Net Assets - ending	<u>\$ 859,636</u>	<u>\$ 774,839</u>

Analysis of Financial Position and Results of Operations

The District's net assets have increased by \$84,797 over the previous year. Operating revenues decreased 5.80% primarily due to decreases in emergency telephone service charges and TECB operational funding. Operating expenditures were up 6.67% due to increases in data processing service/T line expenses, maintenance and repairs of communication equipment, and training expenses.

The District's Net Assets

The District completed the year with net assets of \$859,636 an increase of \$84,797 over the previous year.

Budgetary Highlights

The actual charges to expenses were \$162,851 below the final budgeted amount. This is primarily due to the budgeted building maintenance and repairs not needed and training and travel expenses were less than anticipated. Other budget variances are not considered significant and, therefore, not addressed here.

Actual revenues, in total exceeded budgeted revenues by \$48,046, with operating revenues being over budget by \$26,496 due to more TECB operational funding received than budgeted.

Capital Assets

At the end of the accounting period, The District had \$251,467 in capital assets such as communications and office equipment, leasehold improvements. This amount represents an increase of \$21,508 or 9.35%. The increase is due to fixed asset additions offset by current year depreciation.

Financial Activity and Plans for Future Needs

Polk County E-911 will focus on finishing the installation of the new PSAP equipment and the addition of the radio system that is integrated into it. There are some building repairs upgrades that will be looked at and included in our completion of the new backup center. We also will be looking at the mapping system and any changes or upgrades we can make in it that will make it functionally easier to use and portable for our fire rescue and EMS personal. We will address additional concerns we have about radio site issues and how we may better communicate with public safety personal.

Stephen M Lofty
Chairman of the Board

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT
June 30, 2012

Steve Lofty, Chairman

Bruce Wentworth, Vice Chairman

Ruth Patton, Treasurer

Wayne Loudermilk, Secretary

Jerry Stephens, Member

Becky Cearley, Member

FINANCIAL SECTION

HARTING, BISHOP & ARRENDALE, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA
KELVIN W. BISHOP, CPA
THOMAS H. ARRENDALE, CPA, MBA

JANICE L. HAYES, CPA
CASSIE BELL, CPA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Polk County "911" Emergency
Communications District

We have audited the accompanying financial statements of Polk County "911" Emergency Communications District, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 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 the 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 Polk County "911" Emergency Communications District, as of June 30, 2012, 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 January 7, 2013, on our consideration of Polk County "911" 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3 be presented to supplement the basic financial statements. Such 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on Polk County "911" Emergency Communications District's financial statements as a whole. The budgetary comparison schedule on pages 14 through 15 is presented for purposes of additional analysis and is not a required part of the financial statements. The budgetary comparison schedule is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The budgetary comparison schedule 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 them.

Harry Bishop, CPA

Cleveland, Tennessee

January 7, 2013

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$ 417,802
Certificates of deposit	197,983
Accounts receivable	15,996
Accrued interest receivable	71
Prepaid expenses	<u>1,958</u>
 Total Current Assets	 <u>633,810</u>

Capital Assets

Communication equipment	492,673
Furniture and fixtures	17,160
Office equipment	12,063
Leasehold improvements	<u>137,701</u>
	659,597
 Less Accumulated Depreciation	 <u>(408,130)</u>
 Capital Assets, net	 <u>251,467</u>

Other Assets

Equipment Deposit	<u>23,482</u>
 Total Other Assets	 <u>23,482</u>

Total Assets	<u>\$ 908,759</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	<u>\$ 49,123</u>
 Total Liabilities	 <u>49,123</u>

Net Assets

Invested in capital assets	251,467
Unrestricted net assets	<u>608,169</u>
 Total Net Assets	 <u>859,636</u>

Total Liabilities and Net Assets	<u>\$ 908,759</u>
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The accompanying notes are an integral part
of this financial statement.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSESTS
 For the Year Ended June 30, 2012

OPERATING REVENUES

Emergency telephone service charge	\$ 53,038
TECB - shared wireless charge	39,644
TECB - operational funding	<u>142,814</u>
Total Operating Revenues	<u>235,496</u>

OPERATING EXPENSES

Contracted Services	
Addressing/Mapping expenses	38,700
Advertising	86
Audit services	4,750
Accounting services	10,987
Data processing service/ T Line	31,681
Fees paid to service providers	2,134
Legal services	6,600
IT consultant	3,920
Training consultant	3,400
Pest Control	35
Rental/Buildings facilities	660
Maintenance and repairs - communications equipment	12,250
Maintenance and repairs - buildings facility	<u>1,887</u>
Total Contracted Services	<u>117,090</u>

Supplies and Materials

Office supplies	1,188
Postage	124
Small equipment purchases	3,823
Uniforms and shirts	150
Utilities - electric	2,372
Utilities - gas	395
Utilities - water and sewer	291
Utilities - general telephone	<u>4,002</u>
Total Supplies and Materials	<u>12,345</u>

Other Charges

Board meeting expenses	500
Insurance - buildings and content	2,512

(Continued on next page)

The accompanying notes are an integral part
 of this financial statement.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSESTS
 For the Year Ended June 30, 2012
 (Continued from previous page)

Licenses and fees	\$	373
Premiums on surety bonds		934
Training expenses		3,048
Travel expenses		4,617
Internet charges		<u>4,620</u>
Total Other Charges		<u>16,604</u>
Depreciation		
Depreciation expense		<u>42,560</u>
Total Operating Expenses		<u>188,599</u>
Operating Income		<u>46,897</u>
NON-OPERATING REVENUE		
Interest income - checking		570
Interest income - certificate of deposit		2,088
TECB grant & reimbursements		<u>35,242</u>
Non-Operating Revenue		<u>37,900</u>
INCREASE IN NET ASSETS		84,797
Net assets, beginning		<u>774,839</u>
Net assets, ending	\$	<u>859,636</u>

The accompanying notes are an integral part
of this financial statement.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from surcharges and other revenues	\$ 229,885
Cash payments to suppliers for goods and services	<u>(100,450)</u>
Net cash provided by operating activities	<u>129,435</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants/Reimbursements TECB	<u>35,242</u>
Net cash provided by noncapital financing activities	<u>35,242</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(64,069)</u>
Net cash used by capital and related financing activities	<u>(64,069)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of certificates of deposit	(2,088)
Interest income	<u>2,658</u>
Net cash provided by investing activities	<u>570</u>
Net increase in cash and cash equivalents	101,178
Cash and cash equivalents, beginning of year	<u>316,624</u>
Cash and cash equivalents, end of year	<u>\$ 417,802</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income	\$ 46,897
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating	
Depreciation expense	42,560
Change in assets and liabilities:	
Increase in accounts receivables	(5,611)
Increase in prepaid expenses	(11)
Increase in accounts payable	<u>45,600</u>
Net cash provided by operating activities	<u>\$ 129,435</u>

The accompanying notes are an integral part
of this financial statement.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - General Information

Public Chapter No. 867 of the 1984 Tennessee Public Acts ("The Emergency Communications District Law") was enacted to establish local emergency telephone services; to provide for the funding of such services and such district; and to provide for the levying of a telephone service charge.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

As a government agency, the District is subject to standards prescribed by the Governmental Accounting Standards Board (GASB). The District uses the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District applies Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless they conflict with or contradict GASB Guidance.

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments which have original maturities of three months or less.

Use of Estimates

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

Capital Assets

Expenditures for capital assets are recorded at historical cost. Capital assets are depreciated using the straight-line method. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Communication equipment	5-10
Furniture and fixtures	5-10
Office equipment	5-10
Leasehold improvements	15

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

NOTE 2 - Summary of Significant Accounting Policies (continued)

Component Unit

The Polk County "911" Emergency Communications District is a component of Polk County, Tennessee. As such, Polk County exercises significant influence over the District by having control over the appointment of the District's Board. The District must file a budget with Polk County and any bonds issued by the District are subject to approval by Polk County, Tennessee.

Budgets and Budgetary Accounting

The District is required by state statute to adopt annual budgets. As such, the District employs a formal budget integration as a management control device during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Then, the budget is legally enacted through passage of an ordinance. Expenditures may not legally exceed appropriations and any revisions authorized by the board. Appropriations lapse at the end of each fiscal year.

NOTE 3 - Cash on Deposit

The treasurer of the District is responsible for receiving, disbursing, depositing and investing the District's funds. The District's policy related to deposits and investment risk is to invest in certificates of deposit usually with a maturity of three years or less. The District's policy is designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws. All deposits with a bank or other financial institution shall be secured by collateral or in a collateral pool as allowed by state statutes. As of June 30, 2012 all deposits with financial institutions were secured by collateral. A schedule of cash and investments classified by category of credit risk at June 30, 2012 is as follows:

	Carrying Amount	Bank Balance
Cash, insured by Federal Depository Insurance (FDIC)	\$ 363,449	\$ 363,449
Cash, Secured by Pledged Collateral	54,353	55,844
Certificates of Deposit, Secured by Pledged Collateral	197,983	197,983
Total	\$ 615,785	\$ 617,276

NOTE 4 - Accounts Receivable

The accounts receivable balance represents amounts due from telephone companies subscriber service charges at June 30, 2012.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2012

NOTE 5 - Capital Assets

The following is a schedule of changes to capital assets:

	June 30, 2011	Additions	Retirements	June 30, 2012	Accumulated Depreciation June 30, 2012
Communications Equipment	\$ 439,373	\$ 53,300	\$ -	\$ 492,673	\$ 379,793
Furniture and Fixtures	17,160	-	-	17,160	7,304
Office Equipment	12,063	-	-	12,063	7,764
Leasehold Improvements	126,932	10,769	-	137,701	13,269
Total	<u>\$ 595,528</u>	<u>\$ 64,069</u>	<u>\$ -</u>	<u>\$ 659,597</u>	<u>\$ 408,130</u>

Provision for depreciation totaled \$42,560 for the year ended June 30, 2012.

NOTE 6 - Risk Management - Claims and Insurance

Significant losses are covered by commercial insurance for property, liability, and employee dishonesty. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current or the three prior years.

NOTE 7 - Lease Commitments

The District has a Special Use Permit with the U.S. Department of Agriculture, Forest Service, for the building and land in which the District office is located. The Special Use Permit authorizes the District to use the building and land at no cost as long as the District maintains the building in compliance with the Operation and Maintenance Plan. The Special Use Permit expired on December 31, 2009 and a new permit can be obtained at the discretion of the U.S. Department of Agriculture. The District continues to use the building and land in accordance with the expired Special Use Permit.

NOTE 8 - Subsequent Events

Subsequent events were evaluated through January 7, 2013 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended June 30, 2012

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
OPERATING REVENUES			
Emergency telephone service charge	\$ 53,038	\$ 67,000	\$ 13,962
TECB - shared wireless charge	39,644	36,000	(3,644)
TECB - operational funding	142,814	106,000	(36,814)
Total Operating Revenues	<u>235,496</u>	<u>209,000</u>	<u>(26,496)</u>
OPERATING EXPENSES			
Contracted Services			
Addressing/Mapping expenses	38,700	40,300	1,600
Advertising	86	500	414
Audit services	4,750	4,800	50
Accounting services	10,987	11,000	13
Data processing service/ T Line	31,681	31,000	(681)
Fees paid to service providers	2,134	4,400	2,266
Legal services	6,600	6,600	-
Communication consultants	-	1,600	1,600
Training consultant	3,400	16,000	12,600
Pest Control	35	500	465
Rental/Buidlings facilities	660	1,450	790
Maintenance and repairs communication equip	12,250	19,000	6,750
Maintenance and repairs buildings facility	1,887	3,000	1,113
IT consultant	3,920	5,000	1,080
Total Contracted Services	<u>117,090</u>	<u>145,150</u>	<u>28,060</u>
Supplies and Materials			
Office supplies	1,188	1,500	312
Postage	124	300	176
Small equipment purchases	3,823	121,300	117,477
Uniforms and shirts	150	1,500	1,350
Utilities - electric	2,372	4,600	2,228
Utilities - gas	395	500	105
Utilities - water-sewer	291	500	209
Utilities - general telephone	4,002	4,600	598
Utilities - cell phones	-	4,000	4,000
Total Supplies and Materials	<u>12,345</u>	<u>138,800</u>	<u>126,455</u>

(Continued on next page)

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2012

(Continued from previous page)

	Actual <u>(Accrual Basis)</u>	Budget <u>(Accrual Basis)</u>	Variance <u>(Over) Under</u>
Other Charges			
Board meeting expenses	500	700	200
Insurance - buildings and content	2,512	2,700	188
Licenses and fees	373	2,100	1,727
Premiums on surety bonds	934	1,000	66
Public education	-	300	300
Service awards	-	200	200
Training expenses	3,048	5,500	2,452
Travel expenses	4,617	5,500	883
Internet charges	4,620	5,500	880
Total Other Charges	<u>16,604</u>	<u>23,500</u>	<u>6,896</u>
Depreciation			
Depreciation expense	42,560	48,000	5,440
Total Depreciation	<u>42,560</u>	<u>48,000</u>	<u>5,440</u>
Total Operating Expenses	<u>188,599</u>	<u>355,450</u>	<u>166,851</u>
Operating Income (Loss)	<u>46,897</u>	<u>(146,450)</u>	<u>(193,347)</u>
NON-OPERATING REVENUE			
Interest income - checking	570	750	180
Interest income - certificate of deposit	2,088	5,600	3,512
TECB grant & reimbursements	35,242	198,950	163,708
Total Non-Operating Revenue	<u>37,900</u>	<u>205,300</u>	<u>167,400</u>
Net Income	<u>\$ 84,797</u>	<u>\$ 58,850</u>	<u>\$ (25,947)</u>

INTERNAL CONTROL
AND COMPLIANCE SECTION

HARTING, BISHOP & ARRENDALE, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA
KELVIN W. BISHOP, CPA
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MEMBER
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TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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
Polk County "911" Emergency
Communications District

We have audited the financial statements of Polk County "911" Emergency Communications District as of and for the year ended June 30, 2012, and have issued our report thereon dated January 7, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Polk County "911" Emergency Communications District'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 Polk County "911" Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

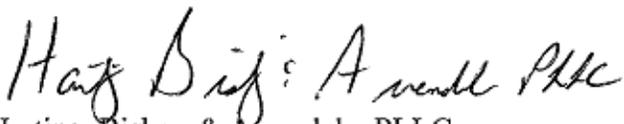
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies in internal control over financial reporting: 2012-1. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County "911" Emergency Communications District'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 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 recommendations as item 2012-2.

This report is intended solely for the information and use of management, Polk County "911" Emergency Communications District, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee

January 7, 2013

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2012

The findings and recommendations as a result of the audit of the Polk County "911" Emergency Communications District are presented below. Finding 2012-1 is repeated from the prior year ended June 30, 2011.

2012 -1: Segregation of Duties

Condition and Criteria: Staff job functions should be segregated so that errors and fraud will be detected by employees in the normal course of their work, in a timely manner. The relatively small size of Polk County "911" Emergency Communications District administrative staff prevents this proper segregation of duties. Segregation of duties should be in place that allows errors and fraud to be detected by employees in the normal course of their work.

Effect: Lack of segregation of duties prevents errors and fraud to be detected by employees in the normal course of their work.

Cause: This occurred due to the small size of the District.

Recommendation: Segregation of duties should be implemented as staff size increases.

Management Response: We agree with the auditor's findings and recommendations.

2012-2: Budget

Condition and Criteria: The District is required to maintain expenditures within budget amounts. Budget line items were over expended.

Effect: District has made expenditures in excess of the amounts budgeted.

Cause: The District had one account with expenditures in excess of the budgeted amount.

Recommendation: We recommend the District maintain the approved budget to ensure expenditures remain within budget.

Management Response: We agree with the auditors' findings and recommendations and have implemented budget procedures to ensure expenditures are budgeted and budgets are properly amended.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2012

2011 -1: Segregation of Duties

Condition and Criteria: Staff job functions should be segregated so that errors and fraud will be detected by employees in the normal course of their work, in a timely manner. The relatively small size of Polk County "911" Emergency Communications District administrative staff prevents this proper segregation of duties. Segregation of duties should be in place that allows errors and fraud to be detected by employees in the normal course of their work.

Effect: Lack of segregation of duties prevents errors and fraud to be detected by employees in the normal course of their work.

Cause: This occurred due to the small size of the District.

Recommendation: Segregation of duties should be implemented as staff size increases.

Current Status: The staff size has not increased. This finding was noted for the 2012 audit.