

GRUNDY COUNTY 911  
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

June 30, 2013



**BEAN, RHOTON & KELLEY, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
300 S. Jefferson Street, Winchester, TN 37398  
931.967.0611  
[www.brkcpa.com](http://www.brkcpa.com)

**GRUNDY COUNTY 911 EMERGENCY  
COMMUNICATIONS DISTRICT  
TABLE OF CONTENTS  
June 30, 2013**

	Page
<u>Introductory Section – Unaudited</u>	
Roster of Board Members	a
 <u>Financial Section</u>	
Independent Auditors' Report	1-2
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Fund Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9
 <u>Other Supplementary Information</u>	
Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual	11
 <u>Internal Control and Compliance Section</u>	
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 <i>Government Auditing Standards</i>	13-14
Schedule of Findings & Responses	15-17

**INTRODUCTORY SECTION - UNAUDITED**

**GRUNDY COUNTY 911 EMERGENCY  
COMMUNICATIONS DISTRICT  
INTRODUCTORY SECTION - UNAUDITED  
June 30, 2013**

ROSTER OF BOARD MEMBERS

Don M. Hutcheson – Chairman, Director

Alan Joslyn – Vice Chairman, Director

Rusty Payne – Secretary, Treasurer

Virgil McNeese – Board Member

Brent Parsons – Board Member

Mike Birdwell – Board Member

Larry Davis – Board Member

Eric Northcutt – Board Member

Deryl Graham – Board Member

# BEAN, RHOTON & KELLEY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

300 SOUTH JEFFERSON STREET, WINCHESTER, TN 37398

Office: 931-967-0611  
Fax: 931-967-4784  
www.brkcpa.com  
info@brkcpa.com

Members of American Institute of  
Certified Public Accountants,  
Tennessee Society of CPA's,  
Association of Government Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Grundy County 911 Emergency Communications District  
Altamont, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Grundy County Emergency Communications District, a component unit of Grundy 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 Grundy 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*

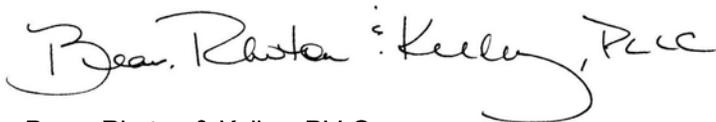
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Grundy County Emergency Communications District's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional 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 December 13, 2013, on our consideration of the Grundy 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 Grundy 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 of the firm.

Bean, Rhoton & Kelley, PLLC  
December 13, 2013

**GRUNDY COUNTY 911 EMERGENCY  
COMMUNICATIONS DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2013**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 271,081.03
Certificates of deposit	212,118.01
Account receivable	36,508.64
Interest receivable	271.78
Prepaid expenses	6,368.30
Total current assets	<u>526,347.76</u>

Noncurrent assets:

Capital assets:

Equipment, net accumulated depreciation	321,828.62
---	------------

Other assets:

Mapping, net accumulated amortization	<u>18,584.53</u>
---------------------------------------	------------------

Total noncurrent assets	<u>340,413.15</u>
-------------------------	-------------------

Total assets	<u><u>\$ 866,760.91</u></u>
--------------	-----------------------------

**LIABILITIES**

Current liabilities:

Accounts payable	<u>\$ 29,500.00</u>
------------------	---------------------

Total current liabilities	<u>29,500.00</u>
---------------------------	------------------

Total liabilities	<u><u>\$ 29,500.00</u></u>
-------------------	----------------------------

**NET POSITION**

Investment in capital assets	\$ 340,413.15
------------------------------	---------------

Unrestricted	<u>496,847.76</u>
--------------	-------------------

Total net position	<u><u>\$ 837,260.91</u></u>
--------------------	-----------------------------

The accompanying notes are an integral part of this statement.

**GRUNDY COUNTY 911 EMERGENCY  
COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
June 30, 2013**

**OPERATING REVENUES**

Emergency telephone service charge	\$ 121,857.94
Tennessee Emergency Communications Board - shared wireless charges	33,680.24
Tennessee Emergency Communications Board - operational funding	<u>198,324.79</u>
Total operating revenues	<u>353,862.97</u>

**OPERATING EXPENSES**

Amortization	16,308.34
Depreciation	54,746.25
Salary expense	38,024.89
Office supplies	249.89
Premiums on surety bonds	448.00
Professional fees	7,800.00
Training expenses	820.50
Meeting notices	159.48
Contracted services - Ben Lomand	13,842.10
Responder & dispatcher	177,000.00
Maintenance agreements	7,822.74
Board meeting expenses	53.16
Postage	32.00
Total operating expenses	<u>317,307.35</u>
Operating profit	<u>36,555.62</u>

**NONOPERATING REVENUES**

Interest revenue	2,784.61
Gain on trade-in of equipment	4,005.00
Total nonoperating revenue	<u>6,789.61</u>

Change in net position	43,345.23
Total net position - beginning	<u>793,915.68</u>
Total net position - ending	<u>\$ 837,260.91</u>

The accompanying notes are an integral part of this statement.

**GRUNDY COUNTY 911 EMERGENCY  
COMMUNICATIONS DISTRICT  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 130,125.91
Responders & dispatchers	(177,000.00)
Telephone charges	(13,842.10)
Operating revenue from TECB	232,005.03
Other receipts (payments)	(51,809.54)
Net cash provided by operating activities	<u>119,479.30</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(101,656.40)
Net cash used by capital and related financing activities	<u>(101,656.40)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	2,972.82
Invested in long term cash	(1,962.67)
Net cash provided by investing activities	<u>1,010.15</u>
Net increase in cash and cash equivalents	18,833.05
Balances - beginning of the year	<u>252,247.98</u>
Balances - end of the year	<u>\$ 271,081.03</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 36,555.62
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	54,746.25
Amortization expense	16,308.34
Gain on trade-in of equipment	4,005.00
Change in assets and liabilities:	
Receivables, net	8,267.97
Prepaid expenses	(6,368.30)
Payables, net	5,964.42
Net cash provided by operating activities	<u>\$ 119,479.30</u>

The accompanying notes are an integral part of this statement.

**GRUNDY COUNTY 911 EMERGENCY  
COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Business Activities

The Grundy County 911 Emergency Communications District provides funds and support to procure, lease, and maintain necessary equipment and services related to fielding emergency phone calls in Grundy County, Tennessee.

The District is a governmental entity organized pursuant to Chapter 867 of the 1984 Tennessee Public Acts. The District is defined as a component unit of the local government of Grundy County, Tennessee under the criteria of Government Accounting Standards Board. The Grundy County Commission appoints the Board of Directors. The Grundy County Commission may appropriate funds to the District for its operation and maintenance. No funds have been appropriated by the Grundy County Commission. The District must obtain permission from the Grundy County Commission prior to issuing long-term debt.

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.

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.

**GRUNDY COUNTY 911 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 \$483,199.04. The amount of deposits collateralized with securities held by pledging financial institutions and federal depository insurance was \$483,199.04.

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 7 years as well as 5 years for general office equipment.

Mapping Costs

This intangible asset represents amounts paid for mapping the area and preparing a database for information purposes. These costs are being amortized over a 10-year period.

Amortization expense for the year ended June 30, 2013, was \$16,308.34.

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.

**GRUNDY COUNTY 911 EMERGENCY  
COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 2 – UTILITY PLANT**

A summary of changes in the utility plant is as follows:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Equipment	\$ 509,853.26	\$ 101,656.40	\$ (12,100.00)	\$ 599,409.66
Less: Accumulated Depreciation	<u>(234,934.79)</u>	<u>(54,746.25)</u>	<u>12,100.00</u>	<u>(277,581.04)</u>
Total	<u>\$ 274,918.47</u>	<u>\$ 46,910.15</u>	<u>\$ 0.00</u>	<u>\$ 321,828.62</u>

**NOTE 3 – CASH & CASH EQUIVALENTS**

At June 30, 2013, total cash was \$483,199.04 of which \$212,118.01 is held in certificates of deposit with maturities of more than three months, leaving \$271,081.03 considered as cash and cash equivalents.

**NOTE 4 – BUDGETING PROCEDURES**

The official and amended budget for June 30, 2013, was prepared for adoption for the proprietary fund by May 10, 2012.

**NOTE 5 – COMPENSATED ABSENCES**

At June 30, 2013, the District did not have any employees. The District has deferred establishing policies for vacation and/or sick pay until such time as it has full time employees. As a result, no liability is recorded in the financial statements.

**NOTE 6 – INTERGOVERNMENTAL COOPERATION**

The District has agreed to participate in an intergovernmental cooperation that includes Bledsoe, Grundy, Sequatchie, and Van Buren counties in Tennessee. The cooperation was formed for the sole purpose of assisting the counties involved in the addressing, mapping, and database development needed for the implementation of a dispatch center. The cooperation does not obligate any district to any expenditure without express, written, approval from the applicable county. The cooperation's board of directors is composed of three individuals from each district's board of directors.

**NOTE 7 – EMERGENCY COMMUNICATIONS AGREEMENT**

On July 1, 2004, the District entered into an Emergency Communications Agreement with the City of Monteagle pursuant to Tennessee Code Annotated Section 5-11-113. The agreement was renewed in 2008 for a period of four years expiring on June 30, 2012. Following 2012, the District and the City of Monteagle have agreed upon a one-year contract ending June 30, 2013. As of the date of this audit report, no current written contract was signed between the District and the City of Monteagle.

The agreement provides for the City of Monteagle to supply trained and certified dispatchers as required under State Law and Emergency Communications Board Standards to handle dispatching calls. The City agrees to adequately staff and operate the 911 system twenty-four hours a day, seven days per week. The agreement specified that the District shall cover all cost the City incurs and other payments are discretionary to the District's Board of Directors.

**GRUNDY COUNTY 911 EMERGENCY  
COMMUNICATIONS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 7 – EMERGENCY COMMUNICATIONS AGREEMENT (continued)**

The City agrees to name the District and its designees as an additional named insurer on City property and liability insurance policies, to cover any loss, damage or destruction of the PSAP equipment or other property of the District that may result from any cause or peril, or provide an acceptable equivalent guarantee, provided the District reimburse the City any cost relating to premiums, or portions of premiums, that relate to District property.

Payments under this agreement for the year ended June 30, 2013, totaled \$177,000.00.

**OTHER SUPPLEMENTARY INFORMATION**

**GRUNDY COUNTY 911 EMERGENCY  
COMMUNICATIONS DISTRICT  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Operating Revenues				
Service charges	\$ 170,000.00	\$ 170,000.00	\$ 320,182.73	\$ 150,182.73
Shared wireless charges	35,000.00	35,000.00	33,680.24	(1,319.76)
Total Operating Revenues	<u>205,000.00</u>	<u>205,000.00</u>	<u>353,862.97</u>	<u>148,862.97</u>
Expenses				
Depreciation and amortization	40,000.00	40,000.00	71,054.59	(31,054.59)
Meeting notices	400.00	400.00	159.48	240.52
Maintenance personnel	35,000.00	35,000.00	38,024.89	(3,024.89)
Repairs and maintenance	4,000.00	4,000.00	0.00	4,000.00
Office supplies	800.00	800.00	303.05	496.95
Training expenses	1,400.00	1,400.00	432.24	967.76
Telephone services	14,000.00	14,000.00	13,842.10	157.90
Premiums on surety bonds	400.00	400.00	448.00	(48.00)
Maintenance agreements	8,370.00	8,370.00	7,822.74	547.26
Audit Services	2,900.00	2,900.00	3,300.00	(400.00)
Professional services	4,500.00	4,500.00	4,500.00	0.00
Insurance - equipment	500.00	500.00	0.00	500.00
Dispatchers' services	172,500.00	172,500.00	177,000.00	(4,500.00)
Travel	500.00	500.00	388.26	111.74
Postage	100.00	100.00	32.00	68.00
Total Expenses	<u>285,370.00</u>	<u>285,370.00</u>	<u>317,307.35</u>	<u>(31,937.35)</u>
Operating profit (loss)	<u>(80,370.00)</u>	<u>(80,370.00)</u>	<u>36,555.62</u>	<u>116,925.62</u>
Non-Operating Revenues				
Interest income	2,400.00	2,400.00	2,784.61	384.61
Sale on trade-in	0.00	0.00	4,005.00	0.00
Total Non-Operating Revenues	<u>2,400.00</u>	<u>2,400.00</u>	<u>6,789.61</u>	<u>384.61</u>
	<u>(77,970.00)</u>	<u>(77,970.00)</u>	<u>43,345.23</u>	<u>117,310.23</u>
Total net position-beginning	<u>793,915.68</u>	<u>793,915.68</u>	<u>793,915.68</u>	<u>0.00</u>
Total net position-ending	<u>\$ 715,945.68</u>	<u>\$ 715,945.68</u>	<u>\$ 837,260.91</u>	<u>\$ 117,310.23</u>

See Accompanying Independent Auditors' Report.

**INTERNAL CONTROL AND COMPLIANCE SECTION**

# BEAN, RHOTON & KELLEY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

300 SOUTH JEFFERSON STREET, WINCHESTER, TN 37398

Office: 931-967-0611  
Fax: 931-967-4784  
www.brkcpa.com  
info@brkcpa.com

Members of American Institute of  
Certified Public Accountants,  
Tennessee Society of CPA's,  
Association of Government 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  
Grundy County 911 Emergency Communications District  
Altamont, 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 Grundy County Emergency Communications District, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Grundy County Emergency Communications District, Tennessee's basic financial statements and have issued our report thereon dated December 13, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grundy County Emergency Communications District, Tennessee'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grundy County Emergency Communications District, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of Grundy County Emergency Communications District, Tennessee's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness [12-01].

*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. We consider the deficiency described in the accompany schedule of findings and responses to be a significant deficiency [09-01 and 13-01].

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grundy County Emergency Communications District, Tennessee'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

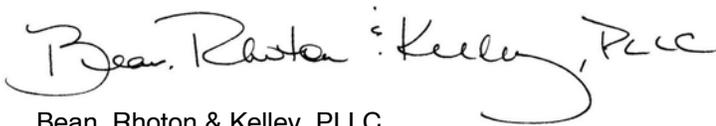
those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items [09-02, 09-03, and 13-02].

### **Grundy County Emergency Communications District, Tennessee's Responses to Findings**

Grundy County Emergency Communications District, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Grundy County Emergency Communications District, Tennessee'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 printed name of the firm.

Bean, Rhoton & Kelley, PLLC  
December 13, 2013

**GRUNDY COUNTY 911 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 09-01 and 13-01.
  - C. Instances of noncompliance were disclosed by the audit and are discussed below in findings 09-02, 09-03, and 13-02.
  - D. A material weakness in internal control was disclosed by the audit and is discussed below in finding 12-01.
- II. Findings Related to the Financial Statements, which are required to be reported in accordance with *Government Auditing Standards*.

(09-01) Receipts

During our review, we found that receipts had not been written or a receipt log kept during the year.

Recommendation:

Although the District's monetary collections are almost entirely made up of direct deposits, to ensure that all monies are accounted for and deposited into the bank, receipts should be written or a receipt log should be kept.

District's Comment:

Most money collected by the District is in the form of direct deposit. Due to lack of monies directly received and administrative resources available, the District does not view this condition as a high priority. If the situation changes, the District will begin writing receipts.

Disposition:

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

(09-02) Budget

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

Recommendation:

All expenditures should be authorized in either the original budget or an amendment to that budget or in a supplemental appropriation.

District's Comment:

The budget will be monitored more closely in the future.

Disposition:

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

**GRUNDY COUNTY 911 EMERGENCY  
COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2013**

(09-03) Bank Accounts

In our review of financial institution accounts, it was noted that at least two unauthorized signers were listed on a financial account and the signature cards do not list signers approved in the board minutes.

Recommendation:

Financial institution accounts should be reviewed annually for correct signatures on file. Only current members of the Board or current employees should be listed on financial accounts as signers.

District's Comment:

We will correct this problem.

Disposition:

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

(12-01) Significant Adjustments to the Year-End Trial Balance

The District did not provide auditors with a substantially complete trial balance.

Recommendation:

Current standards relating to the internal control structure require an entity to make all material adjustments to their trial balance before giving it to the auditors, or to provide the auditors with any material adjustments that need to be made to the trial balance. Because of this material weakness, management may lack the controls necessary to present financial statements and footnotes in accordance with generally accepted accounting principles. Management should consider making all material adjustments to their trial balance in accordance with generally accepted accounting principles.

District's Comment:

We have approved all adjusting journal entries our auditors have proposed and will correct this problem going forward.

Disposition:

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

(13-01) Lack of documentation

There was a lack of documentation for some expenditures.

Recommendation:

We suggest invoices, receiving reports (signed), and other documents should be obtained for all purchases, including reimbursements. They should be attached together and filed in such a way that they can be easily found for future reference and audit. Each invoice should be stamped "paid" when each check is written along with the date and amount of the payment. Statements should be reconciled to invoices when multiple payments are made.

District's Comment:

We will correct this problem.

**GRUNDY COUNTY 911 EMERGENCY  
COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2013**

(13-02) Form 1099

Form 1099 is not being issued for all required service providers.

Recommendation:

A Form 1099 is required to be issued to any entity that receives \$600.00 or more for services provided to the District. All 1099's, as well as 1096, should be mailed to the IRS no later than the last day of February each year.

District's Comment:

We will correct this problem.