

**CANNON COUNTY EMERGENCY**

**COMMUNICATIONS DISTRICT**

**(A Component Unit)**

Financial Statements

June 30, 2013

# CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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**INTRODUCTORY SECTION**

# Cannon County 911 Emergency Communications District

PO Box 475, Woodbury TN 37190  
3798 Jim Cummings Hwy, Woodbury TN 37190

## Board of Directors

John Naylor, Chairman  
3961 Murfreesboro Road  
Readyville, TN 37149  
615-563-5521  
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James Adkins, Vice Chairman  
369 Adams Ridge Road  
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615-563-6240  
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Anna Pitman, Treasurer  
114 Hopewell Road  
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**Mapping Consultant:**  
Floyd Ayers  
PO Box 622  
Winchester, TN 37398  
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**FINANCIAL SECTION**

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Cannon County Emergency Communications District  
Woodbury, Tennessee

**Report on the Financial Statements**

I have audited the accompanying financial statements of the Cannon County Emergency Communications District, a component unit of Cannon 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.

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting policies made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cannon County Emergency Communications District, a component unit of Cannon County, Tennessee as of June 30, 2013, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters -Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information which includes the Management's Discussion and Analysis 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. I 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 my inquiries, the basic financial statements and other knowledge we obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

## **Other Matters -Other Information**

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section and the Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Introductory Section and the Supplementary Information have 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 Introductory Section and the Supplementary Information, is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated October 31, 2013 on the consideration of the District's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 the entity's internal control over financial reporting and compliance.

October 31, 2013

*John R. Poole, CPA*

## **Cannon County Emergency Communications District**

### **Management's Discussion and Analysis**

As management of the Cannon County Emergency Communications District, (the District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the District. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

#### **Financial Highlights:**

The assets of the Cannon County Emergency Communications District exceeded its liabilities at the close of the most recent fiscal year by \$751,736. Of this amount, \$190,979 (unrestricted net position) may be used to meet the District's ongoing obligations. The District's total net position increased by \$75,174 during the current year, primarily as a result of higher revenues as compared to the prior year and lower operating expenses than expected.

#### **Overview of the Financial Statements:**

The Statement of Net position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows presents the flow of cash inflows/outflows during the fiscal year.

The basic financial statements can be found on pages 6-8 of this report. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9-12 of this report.

#### **Financial Analysis of the Financial Statements**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the Cannon County Emergency Communications District, assets exceeded liabilities by \$751,736 at the close of the most recent fiscal year.

By far the largest portion of the District's assets reflects its investment in capital assets. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

**Cannon County Emergency Communications District's Net position - 2012**

Current and other assets	\$	220,377
Capital assets, net		<u>651,950</u>
Total assets		<u>872,327</u>
Long-term debt		89,952
Other liabilities		<u>30,639</u>
Total liabilities		<u>120,591</u>
Net position:		
Net investment in capital assets		560,757
Unrestricted		<u>190,979</u>
Total net position	\$	<u>751,736</u>

**Cannon County Emergency Communications District's Net position - 2012**

Current and other assets	\$	415,976
Capital assets, net		<u>394,682</u>
Total assets		<u>810,658</u>
Long-term debt		95,546
Other liabilities		<u>38,550</u>
Total liabilities		<u>134,096</u>
Net position:		
Net investment in capital assets		297,948
Unrestricted		<u>378,614</u>
Total net position	\$	<u>676,562</u>

At the end to the current fiscal year, the District is able to report positive balances in all categories of net position.

## Capital Assets

The Cannon County Emergency Communications District's investment in capital assets from its activities at June 30, 2013, amounts to \$651,950 (net of accumulated depreciation). This investment in capital assets is in communications equipment and vehicles.

	<u>2013</u>	<u>2012</u>
Land	20,000	20,000
Building	277,129	266,740
Software	19,785	19,785
Equipment and vehicles	<u>540,071</u>	<u>297,786</u>
Total	856,985	604,311
Less accumulated depreciation	<u>(205,035)</u>	<u>(209,629)</u>
Net Capital Assets	<u>651,950</u>	<u>394,682</u>

Additional information on the Cannon County Emergency Communications District's capital assets can be found in the notes to the financial statements section of this report.

## Long-term Debt

The District has a loan related to the construction of its facility. The outstanding balance at year end is \$91,193. The loan is paying down as scheduled.

Additional information on the Cannon County Emergency Communications District's long-term debt can be found in the notes to the financial statements section of this report.

## Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Sue Patrick  
Cannon County Emergency Communications District

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Net Position

June 30, 2013

<u>Assets</u>	<u>Account Number</u>	
Current Assets:		
Cash and cash equivalents	1001	\$127,014
Certificate of deposits	1001	66,581
Accounts receivable	1004	26,782
Total Current Assets		<u>220,377</u>
Capital Assets:		
Land	1351	20,000
Building and improvements	1302	277,129
Communication equipment	1308	483,048
Communication software	1308	19,785
Vehicles	1310	29,236
Office equipment	1306	27,787
Less accumulated depreciation -building	1303	(42,245)
Less accumulated depreciation -office	1307	(2,502)
Less accumulated depreciation -equipment	1309	(141,703)
Less accumulated depreciation -vehicles	1311	(4,177)
Less accumulated depreciation - software	1309	(14,408)
Total Capital Assets, Net		<u>651,950</u>
Total Assets		<u><u>\$872,327</u></u>
<u>Liabilities</u>		
Current Liabilities		
Accounts payable	2001	3,898
Accrued liabilities	2020	25,500
Current portion of long-term debt	2202	1,241
Total Current Liabilities		<u>30,639</u>
<u>Other Liabilities</u>		
Long-term debt	2202	<u>89,952</u>
Total liabilities		<u><u>\$120,591</u></u>
Net Position:		
Unrestricted	2320	190,979
Net investment in capital assets	2301	560,757
Total Net position		<u><u>751,736</u></u>

The accompanying notes are an integral part of these financial statements.

**CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Statement of Revenues, Expenses  
and Changes in Net Position**

**For the Year Ended June 30, 2013**

	Account <u>Number</u>	
Operating Revenues:		
Emergency Telephone Service Charge	3001	\$101,748
State TECB Operational funding	3003	124,182
State Emergency Communications Board Wireless Charge	3002	33,921
Total Operating Revenues		<u>259,851</u>
 Operating Expenses:		
Salaries	4001	270,522
Employee benefits	4100	67,565
Dues	4405	3,518
Addressing and mapping	4201	17,141
Depreciation	4500	67,437
Supplies	4301	12,341
Insurance	4409	7,139
Professional services	4203	13,900
Training and travel	4418	13,967
Occupancy	4307	24,380
Repair and maintenance	4232	45,860
Total Operating Expenses		<u>543,770</u>
 Operating income (loss)		<u>(283,919)</u>
 Nonoperating Revenues (Expenses):		
Operating grants - State	5005	80,369
Operating grants - City and County	5006	148,753
Loss on disposal of equipment	5011	(24,807)
Miscellaneous income	5009	4,943
Interest income	5002	798
Total Nonoperating Revenues (Expenses)		<u>210,056</u>
 Capital contributions	6003	<u>149,037</u>
 Change in net position		<u>75,174</u>
 Net Position, June 30, 2012		<u>676,562</u>
 Net Position, June 30, 2013		<u>\$751,736</u>

The accompanying notes are an integral part of these financial statements.

**CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Statement of Cash Flows**

**For the Year Ending June 30, 2013**

Cash Flows from Operating Activities:	
Cash received from customers	\$259,851
Cash paid to employees	(338,087)
Cash paid to suppliers	(125,105)
Net Cash Provided (Used) by Operating Activities	<u>(203,341)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital contributions	149,037
Debt service payments - principal	(5,541)
Acquisition of capital assets	(349,512)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(206,016)</u>
Cash Flows from Noncapital Activities:	
Grant contributions for operations	229,122
Net Cash Provided (Used) by Noncapital Activities	<u>229,122</u>
Cash Flows from Investing Activities:	
Redemption (purchase) of certificate of deposit	49,131
Interest received	798
Net Cash Provided (Used) by Investing Activities	<u>49,929</u>
Net Increase (decrease) in Cash	(130,306)
Cash and Cash Equivalents, June 30, 2012	<u>257,320</u>
Cash and Cash Equivalents, June 30, 2013	<u>\$127,014</u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	(\$283,919)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	67,437
Other income	4,943
Change in assets (increase) decrease:	
Accounts receivable	16,162
Change in liabilities increase (decrease):	
Accounts payable and accrued expenses	<u>(7,964)</u>
Net Cash Provided (Used) by Operating Activities	<u>(\$203,341)</u>

The accompanying notes are an integral part of these financial statements.

# CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

## Notes to Financial Statements

June 30, 2013

### Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

Cannon County Emergency Communications District ( the District) is a political subdivision established pursuant to Sections 7-87-101 through Section 7-86-117 of the Tennessee Code Annotated and the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The powers of the District are vested in and exercised by a majority of the members of the Board of Directors, who are appointed by the County . The District is considered a political subdivision and is exempt from Federal and State income taxes. The District is considered a component unit of Cannon County. The County appoints the board of directors and the County Commission may adjust service fees and must approve bonded debt. As a result, the Cannon County Commission indirectly imposes its will on the District.

#### Basis of Accounting

The accompanying financial statements of the District have been prepared on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Expenditures are recognized in the accounting period in which the liability is incurred and is measurable. The District uses the measurement focus in these financial statements.

#### Cash and Cash Equivalents

The District considers all highly liquid debt instruments purchased with maturities of 60 days or less to be cash equivalents.

#### Supply Inventory

Supply inventory is valued at the lower of cost (first-in, first-out) or market. Inventory items are considered expenditures when used (consumption method).

#### Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

# CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

## Notes to Financial Statements

June 30, 2013

### **Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

#### Capital Assets

Capital Assets of the District is recorded at cost. Depreciation is computed over the estimated life of the assets using the straight-line method. The estimated life for capital assets in service is from 3 to 10 years. The District capitalizes interest incurred on construction projects.

#### 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

#### Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by Board vote on an annual basis. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Board has the ability to change line item amounts without a formal vote if the change does not increase the amounts budgeted.
- b. The budget amounts shown (page 13) are the final authorized amounts as amended during the year.

The Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts establishes the legal budget level of control to be at the line-item level.

#### Operating revenues and operating expenses

The District recognizes operating revenues and operating expenses resulting from providing services and producing goods to its customers. All other revenues and services are deemed nonoperating.

# CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

## Notes to Financial Statements

June 30, 2013

### Note 2 - CASH AND CERTIFICATES OF DEPOSIT

The District is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During the year, the District invested funds that were not immediately needed in deposit accounts. The District has deposit policies to minimize custodial credit risks. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the District and must total a minimum of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The District's deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

### Note 3 - CAPITAL ASSETS

A summary of changes in capital assets in service is as follows:

	Balance <u>6-30-12</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6-30-13</u>
Land	20,000	-	-	20,000
Building	270,729	6,400	-	277,129
Communication equip.	260,188	286,394	63,534	483,048
Vehicle	-	29,236	-	29,236
Software	19,785	-	-	19,785
Office equipment	<u>33,609</u>	<u>27,482</u>	<u>33,304</u>	<u>27,787</u>
	604,311	349,512	96,838	856,985
Less accumulated depreciation	<u>(209,629)</u>			<u>(205,035)</u>
Utility plant - net	<u>\$394,682</u>			<u>651,950</u>

Depreciation expense for the year was \$67,437. Accumulated depreciation is as follows—buildings \$42,245, software \$14,408, Office equipment \$2,502, communications equipment \$141,703, Vehicles \$4,177.

**CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

Notes to Financial Statements

June 30, 2013

**Note 4 - LONG-TERM DEBT**

The District constructed a new facility for its operations using an advance from Cannon County, Tennessee in the amount of \$100,000.

The following is a summary of changes in long-term debt:

	<u>Balance</u> <u>6-30-12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6-30-13</u>
Construction loan	96,734	-	5,541	91,193

Future maturities of note principal and interest are as follows:

<u>Year</u>	<u>Principal</u>
2014	1,241
2015	1,297
2016	1,355
2017	1,416
2018	1,480
2019-2023	8,461
2024-2028	10,543
2029-2033	13,139
2034-2038	16,373
2039-2043	20,404
2044-2047	<u>15,484</u>
Total	<u>91,193</u>

This loan which is now (previously a Rural Development loan) payable to Cannon County, Tennessee bears no interest.

The Building of the District is pledged as collateral on the bonded indebtedness until the existing loan is paid in full.

**Note 5 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets: errors and omissions, and natural disasters. The District purchases commercial financial bonded insurance for its Treasurer and Chairman. For all other risks, the District has decided to self-insure. There have been no claims during the last three years.

## SUPPLEMENTAL INFORMATION

Financial schedules are used to demonstrate finance related legal and contractual compliance, provide details of data summarized in the financial statements and present other information deemed useful.

**CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Schedule of Revenues and Expenses  
Budget and Actual**

**For the Year Ended June 30, 2013**

		<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Operating Revenues:	<u>Number</u>			
Emergency Telephone Service Charge	3001	\$104,016	\$101,748	(\$2,268)
State TECB Operational funding	3003	189,563	124,182	(65,381)
State Emergency Communications Board Wireless Charge	3002	<u>32,318</u>	<u>33,921</u>	<u>1,603</u>
Total Operating Revenues		<u>325,897</u>	<u>259,851</u>	<u>(66,046)</u>
Operating Expenses:				
Salaries and wages	4001	270,663	270,522	141
Employee benefits	4100	68,086	67,565	521
Dues	4405	5,700	3,518	2,182
Addressing and mapping	4201	17,300	17,141	159
Depreciation	4500	67,600	67,437	163
Supplies	4301	12,610	12,341	269
Insurance	4409	7,256	7,139	117
Professional services	4203	13,950	13,900	50
Training and travel	4418	14,000	13,967	33
Utilities	4307	24,410	24,380	30
Repair and maintenance	4232	<u>45,934</u>	<u>45,860</u>	<u>74</u>
Total Operating Expenses		<u>547,509</u>	<u>543,770</u>	<u>3,739</u>
Operating income (loss)		<u>(221,612)</u>	<u>(283,919)</u>	<u>(69,785)</u>
Nonoperating Revenues (Expenses):				
Grants- State	5005	2,220	80,369	78,149
Operating grants - City and County	5006	148,753	148,753	0
Loss on disposal of equipment	5011	(24,807)	(24,807)	0
Miscellaneous income	5009	500	4,943	4,443
Interest income	5002	<u>1,600</u>	<u>798</u>	<u>(802)</u>
Total Nonoperating Revenues (Expenses)		<u>128,266</u>	<u>210,056</u>	<u>81,790</u>
Capital contribution		<u>92,200</u>	<u>149,037</u>	<u>33</u>
Net change in net position		<u>(1,146)</u>	<u>75,174</u>	<u>76,320</u>

**CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Schedule of Monthly Rates in Effect**

**June 30, 2013**

<u>Type of Customer</u>	<u>Rate</u>
Residential customers	\$ 1.50
Business customers	\$ 3.00

**CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Schedule of Number and Classification of Customers**

**June 30, 2013**

DeKalb Telephone Company

Residential customers	approximately	3,400
Business customers	approximately	1,900

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of State Financial Assistance

For the Year Ended June 30, 2013

State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance July 1, 2012	Cash Receipts	Other Receipts	Cash Expenditures	Receivable (Deferred) Balance June 30, 2013
N/A	GIS Grant	State of Tennessee Commerce and Insurance	\$16,551	64,844	0	48,293	0
N/A	Monthly recurring	State of Tennessee Commerce and Insurance	\$0	2,226	0	2,226	0
N/A	Operational funding	State of Tennessee Commerce and Insurance	\$0	103,485	0	124,182	20,697
N/A	Next Generation	State of Tennessee Commerce and Insurance	\$0	149,037	0	149,037	0
N/A	One Time Funding	State of Tennessee Commerce and Insurance	\$0	29,850	0	29,850	0
Totals			16,551	349,442	0	353,588	20,697

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Debt Service Requirements

June 30, 2013

Year	CAPITAL OUTLAY	
	Principal	Interest
2014	\$ 1,241	0
2015	1,297	0
2016	1,355	0
2017	1,416	0
2018	1,480	0
2019	1,547	0
2020	1,616	0
2021	1,689	0
2022	1,765	0
2023	1,844	0
2024	1,927	0
2025	2,014	0
2026	2,105	0
2027	2,199	0
2028	2,298	0
2029	2,402	0
2030	2,510	0
2031	2,623	0
2032	2,741	0
2033	2,864	0
2034	2,993	0
2035	3,128	0
2036	3,268	0
2037	3,415	0
2038	3,569	0
2039	3,730	0
2040	3,898	0
2041	4,073	0
2042	4,256	0
2043	4,448	0
2044	4,648	0
2045	4,857	0
2046	5,979	0
	<u>\$ 91,193</u>	<u>0</u>

This loan payable to Cannon County, Tennessee bears no interest.

**COMPLIANCE AND  
INTERNAL CONTROL**

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

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

Board of Directors  
Cannon County Emergency Communications District  
Woodbury, Tennessee

I have audited 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, the financial statements of the Cannon County Emergency Communications District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Cannon County Emergency Communications District's basic financial statements, and have issued a report thereon dated October 31, 2013.

**Internal Control Over Financial Reporting**

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

My consideration of the 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 weakness or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control that I consider to be a material weakness (2005-01 Lack of segregation of Duties).

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 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. I consider the deficiency described below (2005-01) to be a material weakness.

The material weakness is as follows:

2005-01 Separation of Duties

Due to the limited number of personnel employed by the District, several functions, which ideally should be performed by different individuals, are regularly performed by one or two persons. I recommend that the District strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Management Response:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Cannon County Emergency Communications District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Response to Finding**

The Cannon County Emergency Communications District's response to the finding identified in the audit is described above. The Cannon County Emergency Communications District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result 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.

*Joh R Poole, CPA*

October 31, 2013