

**OBION COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

FINANCIAL STATEMENTS

June 30, 2013

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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INTRODUCTORY SECTION

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OFFICIALS**

June 30, 2013

Board Members

Mark Watson – Chairman

Bob Reavis – Vice-Chairman

John Horner – Treasurer

Polk Glover – Secretary

Dan Boykin
Kathy Forrester
Kenny Thurmond
Tim Partin
Judy Barker

Management Official

Sherri Hanna – Executive Director

Independent Certified Public Accountants

Alexander Thompson Arnold PLLC
Union City, Tennessee

FINANCIAL SECTION

Members of:

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AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
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Certified Public Accountants
Offices in Tennessee & Kentucky

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Independent Auditor's Report

Board of Directors
Obion County Emergency Communications District
Union City, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Obion County Emergency Communications District, a component unit of Obion 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

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 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, 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 financial position of Obion County Emergency Communications District as of June 30, 2013, and the changes in financial position and 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Officials and Budgetary Comparison Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule 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. 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 Budgetary Comparison Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Officials 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 August 29, 2013 on our consideration of the 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 Obion County Emergency Communications District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Union City, Tennessee
August 29, 2013

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

Assets

Current assets

Cash		\$ 356,991
Investments - certificates of deposit		281,054
Accounts receivable		15,770
Due from Tennessee Emergency Communications Board		13,054
Prepaid expenses		<u>33,995</u>
Total current assets		700,864

Noncurrent assets

Capital assets

Land	30,000	
Office equipment and furniture	144,148	
Vehicles	39,876	
Communications and mapping equipment	600,183	
Building and improvements	<u>507,743</u>	
Total capital assets	1,321,950	
Accumulated depreciation	<u>(526,075)</u>	
Net capital assets		<u>795,875</u>
Total assets		1,496,739

Liabilities

Current liabilities

Accounts payable		<u>1,301</u>
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Net position

Investment in capital assets	795,875	
Unrestricted	<u>699,563</u>	
Total net position		<u><u>\$ 1,495,438</u></u>

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

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2013

Operating revenue		
Emergency telephone service charge		\$ 245,949
Tennessee Emergency Communications Board - shared wireless charge		77,685
Tennessee Emergency Communications Board - operational funding		260,956
Miscellaneous income		<u>682</u>
Total operating revenue		585,272
Operating expenses		
Salaries and wages	240,247	
Employee benefits	23,638	
Contracted services	68,984	
Supplies and materials	27,386	
Other charges	21,497	
Depreciation and amortization	<u>76,953</u>	
Total operating expenses		<u>458,705</u>
Operating income		126,567
Non-operating income (expense)		
Interest income	4,209	
Tennessee Emergency Communications Board reimbursements	14,800	
Loss on disposal of equipment	<u>(11,818)</u>	
Total non-operating income (expense)		<u>7,191</u>
Income before capital contributions		133,758
Capital contributions		
Capital contributions from Tennessee Emergency Communications Board		<u>66,622</u>
Increase in net position		200,380
Net position - July 1, 2012		<u>1,295,058</u>
Net position - June 30, 2013		<u>\$ 1,495,438</u>

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

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013

Cash flows from operating activities		
Cash received from customers		\$ 587,505
Cash payments to suppliers for goods and services		(162,672)
Cash payments to employees for services		<u>(240,247)</u>
Net cash provided by operating activities		184,586
Cash flows from capital and related financing activities		
Purchase of property, plant and equipment	(121,881)	
State reimbursements - capital assets	<u>101,517</u>	
Net cash used by capital and related financing activities		(20,364)
Cash flows from non-capital financing activities		
State reimbursements for maintenance		14,800
Cash flows from investing activities		
Purchase of investments	(121,970)	
Maturities of investments	114,912	
Interest earned on investments	<u>4,209</u>	
Net cash used by investing activities		<u>(2,849)</u>
Net increase in cash		176,173
Cash - July 1, 2012		<u>180,818</u>
Cash - June 30, 2013		<u>\$ 356,991</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income		\$ 126,567
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	65,012	
Amortization	11,942	
Decrease in accounts receivable	2,824	
Increase in due from TECB - operations	(591)	
Increase in prepaid expenses	(14,800)	
Decrease in accounts payable	<u>(6,368)</u>	
Total adjustments		<u>58,019</u>
Net cash provided by operating activities		<u>\$ 184,586</u>

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

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Obion County Emergency Communications District was created on May 16, 1988, by the legislative body of Obion County, Tennessee, to be an emergency communications district as defined by Tennessee state law. As such, it is considered to be a "municipality" or public corporation in perpetuity under its corporate name and shall be a body politic and corporate with power of perpetual succession, but without power to levy or collect taxes. All Tennessee emergency communications districts are required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* developed by the Office of the Comptroller of the Treasury, Division of County Audit, pursuant to Section 7-86-304, *Tennessee Code Annotated*.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. The GASB has established criteria to determine whether (a) an entity has any component units that should be included for financial reporting purposes, or (b) the entity itself should be included as a component unit of another reporting entity. The Obion County Emergency Communications District must obtain the approval of the Obion County Commission before issuance of most debt instruments. The County has determined that this constitutes fiscal dependency by the District and has included the District as a component unit of Obion County.

The District is deemed to be a municipality under Tennessee state law and, as such, is exempt from federal income taxes.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Obion County Emergency Communications District is accounted for as a single enterprise fund as prescribed by the State. Enterprise funds are a type of proprietary fund, and, as such, are reported in accordance with generally accepted accounting principles for proprietary funds as defined by GASB. Proprietary fund types are reported using the *economic resources* measurement focus and the accrual basis of accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entity's net position. The accrual basis of accounting recognizes income as it is earned and expenses as they are incurred, whether or not cash is received or paid out at that time.

Operating revenues in proprietary funds are those revenues generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. The State has defined grants and reimbursements from the Tennessee Emergency Communications Board to be nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

C. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

The District defines cash and cash equivalents as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of inception. As of June 30, 2013, the District had no short-term investments meeting this definition.

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

State statutes authorize the System to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements, as approved by the state director of local finance, and the State's local government investment pool.

Accounts receivable

Accounts receivable represents amounts due from various phone companies.

Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The proportionate amount of expense is recognized in each of the benefitting periods.

Capital assets

All capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. The District's capitalization threshold is set at \$5,000 per unit cost. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. For the year under review, there were no interest costs capitalized.

Compensated absences

Employees are entitled to paid vacation and sick leave based on terms of employment and other factors. Any accumulated vacation time earned must be taken within one year of the employment anniversary date. No carryover for compensated absences to future years is permitted. Due to this policy, the cost of future absences at the balance sheet date is not material; therefore, no accrual has been recorded in the financial statements. It is the District's practice to expense these costs when paid to the employees.

Impact of recently issued accounting pronouncements

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows and inflows of resources, which are distinct from assets and liabilities, and also renames as net position, rather than net assets, the residual of all other elements presented in a statement of financial position. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of June 30, 2013, the District had no deferred outflows or deferred inflows of resources.

Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption

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

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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The District's Board of Directors approves an appropriatory budget annually. The budget for the year ended June 30, 2013, was prepared on the accrual basis, with the exception of a portion of the Tennessee Emergency Communications Board reimbursement that was recorded as a receivable in the prior year. In addition, amounts recorded as accounts payable were not included in the prior year budget. A reconciliation of these differences between the statement of revenues, expenses and changes in net position and the budgetary comparison statement is presented below.

Net income - budgetary comparison statement	\$ 228,665
Prior year receivable for TECB reimbursement	(34,895)
Prior year accounts payable not budgeted	<u>6,610</u>
Net income - statement of revenues, expenses and changes in net position	<u>\$ 200,380</u>

The legal level of control is at each line item of expense; therefore, each line item must be amended to authorize actual expenditures.

NOTE 3 – DETAILED NOTES ON ACCOUNTS

A. Deposits and investments

The District has its cash deposits in local banks. Investments on the balance sheet as of June 30, 2013, consisted of certificates of deposit issued by local banks.

Custodial Credit Risk – The District's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the State pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value equal to at least the amount of funds invested in the repurchase transaction. As of June 30, 2013, all of the District's deposits were fully insured or collateralized.

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

B. Capital assets

Capital asset activity during the year was as follows:

Description	Balance 7/01/12	Additions	Disposals	Balance 6/30/13
Capital assets, not being depreciated				
Land	\$ -	\$ 30,000	\$ -	\$ 30,000
Capital assets, being depreciated				
Office equipment and furniture	\$ 146,962	\$ -	\$ (2,814)	\$ 144,148
Vehicles	14,617	25,259	-	39,876
Communications and mapping equipment	554,390	66,622	(20,829)	600,183
Building and improvements	507,743	-	-	507,743
Total capital assets being depreciated	<u>1,223,712</u>	<u>91,881</u>	<u>(23,643)</u>	<u>1,291,950</u>
Less accumulated depreciation				
Office equipment and furniture	69,357	13,173	-	82,530
Vehicles	14,617	-	-	14,617
Communications equipment	319,941	38,093	(11,825)	346,209
Building and improvements	68,973	13,746	-	82,719
Total accumulated depreciation	<u>472,888</u>	<u>65,012</u>	<u>(11,825)</u>	<u>526,075</u>
Total capital assets, net	<u>\$ 750,824</u>	<u>\$ 56,869</u>	<u>\$ (11,818)</u>	<u>\$ 795,875</u>

Depreciation expense for the year ended June 30, 2013, was \$65,012.

NOTE 4 – OTHER INFORMATION

Risk Management

The District is exposed to various risks related to general and public official's liability, officer's/director's omissions liability, automobile liability, property and casualty losses, and workers' compensation. To cover these risks, the District joined the Tennessee Municipal League (TML), which is a public entity risk pool established to provide insurance coverage to local governments in Tennessee and is self-sustaining through member premiums. The Pool is a cooperative risk sharing arrangement that works in many ways like a traditional insurer. The District pays annual premiums to the Pool based on its prior claims history. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. In addition, the District has purchased commercial insurance to provide for employee health insurance. Settlements have not exceeded insurance coverage in any of the prior three years. The District is self-insured for unemployment claims by its employees, which means that the District will reimburse the State's workforce development agency for any claims against the District as they occur. There were no claims made during the year ended June 30, 2013.

SUPPLEMENTARY INFORMATION SECTION

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE**

For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Operating revenue				
Emergency telephone service charge	\$ 230,000	\$ 230,000	\$ 245,949	\$ 15,949
TECB - shared wireless charge	72,000	72,000	77,685	5,685
TECB - operational funding	209,000	209,000	260,956	51,956
Miscellaneous income	500	500	682	182
Total operating revenue	<u>511,500</u>	<u>511,500</u>	<u>585,272</u>	<u>73,772</u>
Operating expenses				
Salaries and wages				
Director	38,000	38,250	38,000	(250)
Dispatchers	206,600	216,525	202,247	(14,278)
Employee benefits				
Social security	15,200	15,805	14,492	(1,313)
Medicare	3,600	3,700	3,389	(311)
Unemployment	5,000	5,000	-	(5,000)
Life insurance	300	300	235	(65)
Medical insurance	12,300	12,300	5,539	(6,761)
Other fringe benefits	250	250	(17)	(267)
Contracted services				
Addressing/mapping expense	700	6,400	5,352	(1,048)
Advertising	500	500	214	(286)
Audit services	3,400	3,400	3,350	(50)
Accounting services	2,500	2,500	2,400	(100)
Engineering services	500	500	25	(475)
Facility relocation expense	-	400	-	(400)
Fees paid to service providers	21,600	20,000	16,815	(3,185)
Maintenance agreement	1,600	20,000	18,341	(1,659)
Legal services	500	1,000	-	(1,000)
Pest control	500	500	360	(140)
Lease/Rental:				
Building rental	700	700	660	(40)
Maintenance and repairs				
Communications equipment	2,500	15,000	13,359	(1,641)
Building and facility	2,500	7,500	4,779	(2,721)
Office equipment	500	500	78	(422)
Vehicle	1,000	700	314	(386)
Fuel expense - vehicle	1,000	1,300	890	(410)
Language line	250	250	-	(250)
Other contracted services	1,000	9,200	8,655	(545)
Supplies and materials				
Office supplies	3,500	3,650	3,135	(515)
Custodial supplies	1,200	1,300	1,112	(188)
Data processing supplies	250	250	-	(250)
Postage	500	500	194	(306)
Small equipment purchases	500	9,000	7,380	(1,620)
Uniforms/identification badges	200	200	-	(200)

See independent auditor's report

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE**

For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Utilities				
Electric	9,000	9,750	9,370	(380)
Gas - generator	800	800	-	(800)
Water	900	950	867	(83)
General telephone	4,500	4,500	3,764	(736)
Cell phones and pagers	1,200	1,200	701	(499)
Other supplies and materials	900	1,000	863	(137)
Other charges				
Board meeting expenses	1,600	1,700	1,651	(49)
Dues and memberships	1,000	1,000	988	(12)
Employee testing and exams	2,000	2,000	1,108	(892)
Insurance				
Workers compensation	1,000	1,000	742	(258)
Liability	6,000	6,250	6,136	(114)
Buildings and contents	2,500	2,500	2,481	(19)
Equipment	1,000	750	129	(621)
Vehicle	300	300	300	-
Legal notices	200	200	-	(200)
Licenses and fees	250	250	-	(250)
Premiums on surety bonds	2,000	2,000	900	(1,100)
Public education	400	400	43	(357)
Service awards	250	450	333	(117)
Training expenses	7,500	6,500	2,066	(4,434)
Travel expenses	5,000	5,500	4,136	(1,364)
Internet	900	900	460	(440)
Miscellaneous expense	100	100	26	(74)
Amortization of prepaid maintenance expense	14,000	14,000	11,941	(2,059)
Depreciation	79,000	79,000	65,012	(13,988)
Total operating expenses	<u>470,950</u>	<u>540,380</u>	<u>465,315</u>	<u>(75,065)</u>
Operating income	40,550	(28,880)	119,957	148,837
Non-operating income (expense)				
Interest income	3,000	3,000	4,209	1,209
State reimbursements	193,000	120,000	116,317	(3,683)
Loss on disposal of equipment	-	(11,500)	(11,818)	(318)
Total non-operating income (expense)	<u>196,000</u>	<u>111,500</u>	<u>108,708</u>	<u>(2,792)</u>
Increase in net position	<u>\$ 236,550</u>	<u>\$ 82,620</u>	<u>\$ 228,665</u>	<u>\$ 146,045</u>

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION

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Tennessee Society of Certified Public Accountants
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**Independent Auditor's 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
Obion County Emergency Communications District
Union City, 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 Obion 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 District's basic financial statements, and have issued our report thereon dated August 29, 2013.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as Item 97-1, that we consider to be significant deficiencies.

Board of Directors
Obion County Emergency Communications District

Compliance and Other Matters

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

Obion County Emergency Communications District's Response to Findings

Obion County Emergency Communications District's response to the finding identified in our audit is described in the accompanying schedule of findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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.

Alexander Thompson Arnold PLLC

Union City, Tennessee
August 29, 2013

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS**

June 30, 2013

97-1 Segregation of Duties

Condition: Due to the size of the staff, the Obion County Emergency Communications District could not fully segregate the record-keeping, custodial and authorization functions of its internal accounting controls for the year ended June 30, 2013.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: While auditors recognize that staff size, due to funding limitations, is not adequate to fully segregate the functions mentioned above, management needs to be aware that this limitation does exist in the District's internal accounting controls.

Response: *The Obion County Emergency Communications District has segregated the internal control functions as much as possible to ascertain the integrity of all the financial records. We have a small staff employed, and it is financially infeasible for us to increase its size. We have, however, put into place additional controls regarding the handling of funds which are received in our office.*