

GRUNDY COUNTY 911
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

June 30, 2014



BEAN, RHOTON & KELLEY, PLLC
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**GRUNDY COUNTY 911 EMERGENCY
COMMUNICATIONS DISTRICT
TABLE OF CONTENTS
June 30, 2014**

	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, 2014**

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



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, 2014, 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, 2014, 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

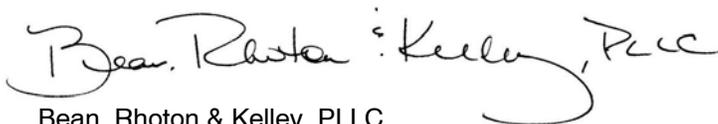
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Grundy County Emergency Communications District's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional 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 September 10, 2014, 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.



Bean, Rhoton & Kelley, PLLC
September 10, 2014

**GRUNDY COUNTY 911 EMERGENCY
COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
June 30, 2014**

ASSETS

Current assets:

Cash and cash equivalents	\$ 353,776.36
Certificates of deposit	213,287.85
Account receivable	36,132.56
Interest receivable	273.28
Prepaid expenses	5,041.71
Total current assets	<u>608,511.76</u>

Noncurrent assets:

Capital assets:

Equipment, net accumulated depreciation	262,232.28
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Other assets:

Mapping, net accumulated amortization	<u>2,276.22</u>
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Total noncurrent assets	<u>264,508.50</u>
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Total assets	<u>873,020.26</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>46,915.20</u>
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Total current liabilities	<u>46,915.20</u>
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Total liabilities	<u>46,915.20</u>
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NET POSITION

Net investment in capital assets	264,508.50
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Unrestricted	561,596.56
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Total net position	<u>\$ 826,105.06</u>
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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, 2014**

OPERATING REVENUES

Emergency telephone service charge	\$ 119,134.92
Tennessee Emergency Communications Board - shared wireless charges	35,098.93
Tennessee Emergency Communications Board - operational funding	124,182.00
Total operating revenues	<u>278,415.85</u>

OPERATING EXPENSES

Amortization	16,308.31
Auditing services	3,700.00
Communications equipment	2,242.34
Contracted services - Ben Lomand	15,500.10
Depreciation	59,596.34
Legal services	5,250.00
Maintenance agreements	11,000.00
Maintenance fees	247.00
Meeting notices	307.48
Office equipment	268.78
Office supplies	310.49
Payroll - Grundy County EMS	37,625.11
Postage	32.00
Premiums on surety bonds	448.00
Responder & dispatcher	192,032.87
Training expense	640.00
Travel expense	279.95
Total operating expenses	<u>345,788.77</u>
Operating loss	<u>(67,372.92)</u>

NONOPERATING REVENUES

Interest income (Note 8)	2,157.20
Tennessee Emergency Communications Board-Grants and Reimbursements	52,836.87
Miscellaneous income	1,223.00
Total nonoperating revenue	<u>56,217.07</u>

Change in net position	(11,155.85)
Total net position - beginning	837,260.91
Total net position - ending	<u>\$ 826,105.06</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, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 119,706.56
Responders & dispatchers	(192,032.87)
Telephone charges	(15,500.10)
Operating revenue from TECB	159,085.37
Other receipts (payments)	(43,609.36)
Net cash provided by operating activities	<u>27,649.60</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants / reimbursements from TECB	52,836.87
Donations	1,223.00
Net cash provided by noncapital financing activities	<u>54,059.87</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received (Note 8)	2,155.70
Invested in certificates of deposit	(1,169.84)
Net cash provided by investing activities	<u>985.86</u>
Net increase in cash and cash equivalents	82,695.33
Balances - beginning of the year	<u>271,081.03</u>
Balances - end of the year	<u>\$ 353,776.36</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (67,372.92)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	59,596.34
Amortization expense	16,308.31
Change in assets and liabilities:	
Receivables, net	376.08
Prepaid expenses	1,326.59
Payables, net	17,415.20
Net cash provided by operating activities	<u>\$ 27,649.60</u>

The accompanying notes are an integral part of this statement.

**GRUNDY COUNTY 911 EMERGENCY
COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

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:

- Net Investment in Capital Assets includes the District's capital assets (net of accumulated depreciation).
- Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project. The District had no restrictions at June 30, 2014.
- 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, 2014**

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, 2014, was \$567,064.21. The entire amount of deposits are collateralized with securities held by pledging financial institutions and federal depository insurance.

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, 2014, was \$16,308.31.

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, 2014**

NOTE 2 – UTILITY PLANT

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

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Equipment	\$ 599,409.66	\$ 0.00	\$ 0.00	\$ 599,409.66
Less: Accumulated Depreciation	<u>(277,581.04)</u>	<u>(59,596.34)</u>	<u>0.00</u>	<u>(337,177.38)</u>
Total	<u>\$ 321,828.62</u>	<u>\$ (59,596.34)</u>	<u>\$ 0.00</u>	<u>\$ 262,232.28</u>

NOTE 3 – CASH & CASH EQUIVALENTS

At June 30, 2014, total cash was \$567,064.21 of which \$213,287.85 is held in certificates of deposit with maturities of more than three months, leaving \$353,776.36 considered as cash and cash equivalents.

NOTE 4 – BUDGETING PROCEDURES

The official and amended budget for June 30, 2014, was prepared for adoption for the proprietary fund by July 11, 2013.

Grundy County 911's actual expenditures exceeded the amount appropriated in the final budget passed on July 11, 2013. This practice is contrary to state statutes, which require all expenditures of the general and special revenue funds be authorized by the governing body.

NOTE 5 – COMPENSATED ABSENCES

At June 30, 2014, 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. The agreement shall automatically renew for additional terms unless either party elects to withdraw by providing written notice, no less than 180 days prior to the end of the term. Each term ends June 30 and no withdrawal notices have been provided as of the date of this audit report.

**GRUNDY COUNTY 911 EMERGENCY
COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 7 – EMERGENCY COMMUNICATIONS AGREEMENT (continued)

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.

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, 2014, totaled \$192,037.87.

NOTE 8 – INTEREST INCOME

For the year ended June 30, 2014, the District had total interest income of \$2,157.20. This amount is different from the interest received of \$2,155.70 due to the change in interest receivable.

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, 2014**

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Operating Revenues				
Service charges	\$ 208,000.00	\$ 208,000.00	\$ 243,316.92	\$ 35,316.92
Shared wireless charges	35,000.00	35,000.00	35,098.93	98.93
Total Operating Revenues	<u>243,000.00</u>	<u>243,000.00</u>	<u>278,415.85</u>	<u>35,415.85</u>
Expenses				
Depreciation and amortization	40,000.00	40,000.00	75,904.65	(35,904.65)
Meeting notices	400.00	400.00	307.48	92.52
Maintenance personnel	35,000.00	35,000.00	37,625.11	(2,625.11)
Repairs and maintenance	4,000.00	4,000.00	247.00	3,753.00
Office supplies	800.00	800.00	579.27	220.73
Training expenses	1,400.00	1,400.00	640.00	760.00
Telephone services	14,000.00	14,000.00	15,500.10	(1,500.10)
Premiums on surety bonds	400.00	400.00	448.00	(48.00)
Maintenance agreements	11,000.00	11,000.00	11,000.00	0.00
Audit Services	3,700.00	3,700.00	3,700.00	0.00
Professional services	4,500.00	4,500.00	5,250.00	(750.00)
Insurance - equipment	500.00	500.00	2,242.34	(1,742.34)
Dispatchers' services	177,000.00	177,000.00	192,032.87	(15,032.87)
Travel	500.00	500.00	279.95	220.05
Postage	100.00	100.00	32.00	68.00
Total Expenses	<u>293,300.00</u>	<u>293,300.00</u>	<u>345,788.77</u>	<u>(52,488.77)</u>
Operating profit (loss)	<u>(50,300.00)</u>	<u>(50,300.00)</u>	<u>(67,372.92)</u>	<u>(17,072.92)</u>
Non-Operating Revenues				
Interest income	1,500.00	1,500.00	2,157.20	657.20
Grant	50,000.00	50,000.00	52,836.87	2,836.87
Miscellaneous income	0.00	0.00	1,223.00	1,223.00
Total Non-Operating Revenues	<u>51,500.00</u>	<u>51,500.00</u>	<u>56,217.07</u>	<u>4,717.07</u>
	<u>1,200.00</u>	<u>1,200.00</u>	<u>(11,155.85)</u>	<u>(12,355.85)</u>
Total net position-beginning	837,260.91	837,260.91	837,260.91	0.00
Total net position-ending	<u>\$ 838,460.91</u>	<u>\$ 838,460.91</u>	<u>\$ 826,105.06</u>	<u>\$ (12,355.85)</u>

See Accompanying Independent Auditors' Report.

INTERNAL CONTROL AND COMPLIANCE SECTION



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, 2014, 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 September 10, 2014.

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 deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies [09-01, 13-01, 14-01, and 14-02].

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*

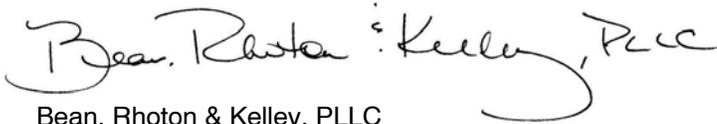
Standards and which are described in the accompanying schedule of findings and responses as items [09-02, 09-03, and 13-02].

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.



Bean, Rhoton & Kelley, PLLC
September 10, 2014

**GRUNDY COUNTY 911 EMERGENCY
COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2014**

- I. Summary of Auditors' Results
 - A. The June 30, 2014 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, 13-01, 14-01, and 14-02.
 - C. A material weakness in internal control was disclosed by the audit and is discussed below in finding 12-01.
 - D. Instances of noncompliance were disclosed by the audit and are discussed below in findings 09-02, 09-03, and 13-02.
- 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, 2014, 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, 2014, this problem still exists.

**GRUNDY COUNTY 911 EMERGENCY
COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2014**

(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, 2014, 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, 2014, 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.

Disposition:

As of June 30, 2014, this problem still exists.

**GRUNDY COUNTY 911 EMERGENCY
COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2014**

(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.

Disposition:

As of June 30, 2014, this problem still exists.

(14-01) Late Fees

Testing revealed instances of late payments and penalties.

Recommendation:

Failing to make invoice payments timely causes the District to spend unnecessary money. All invoices should be paid in their entirety on a timely basis, taking advantage of early payment discounts when offered.

District's Comment:

We will correct this problem.

(14-02) Checks

Testing disclosed instances of checks not being voided properly.

Recommendation:

Should an error be made in preparing a check, the word "VOID" should be written on the face of the check, the signature section should be removed, and the check should be retained on file for future reference and audit purposes. In addition, measures should be taken to ensure the check is properly voided in the accounting system.

District's Comment:

We will correct this problem.