

**BENTON COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

FINANCIAL STATEMENTS

June 30, 2014

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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INTRODUCTORY SECTION

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

June 30, 2014

Jerold Johnson – Chairman
John Smoot – Secretary/Treasurer
William Bell – Vice-chairman
Dwayne Presson
George Montgomery
Richard Kee
Raymond Palen
David Markham

Justin Whipple – Director of Operations

FINANCIAL SECTION

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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
Benton County Emergency Communications District

Report on the Financial Statements

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

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 Benton County Emergency Communications District as of June 30, 2014, 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 April 10, 2015 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 Benton County Emergency Communications District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Union City, Tennessee
April 10, 2015

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

Current assets

Cash	\$ 1,055,368
Accounts receivable	39,646
Prepaid expense	<u>15,895</u>
Total current assets	1,110,909

Noncurrent assets

Communications equipment	576,220
Leasehold improvements	8,420
Other equipment	55,973
Furniture and fixtures	26,836
Vehicles	5,500
Intangible assets	115,572
Accumulated depreciation and amortization	<u>(211,364)</u>
Total noncurrent assets	<u>577,157</u>

Total assets	<u>1,688,066</u>
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LIABILITIES

Current liabilities

Accounts payable	6,942
Accrued payroll and related payables	<u>1,165</u>
Total liabilities	<u>8,107</u>

NET POSITION

Investment in capital assets	577,157
Unrestricted	<u>1,102,802</u>
Total net position	<u>\$ 1,679,959</u>

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

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the Year Ended June 30, 2014

Operating revenue

TECB - shared wireless charge		\$ 49,147
TECB - operational funding		225,934
Emergency telephone service charge		<u>54,122</u>
Total operating revenue		329,203

Operating expenses

Salaries and wages		
Director salary	49,200	
Employee benefits		
Social security	3,050	
Medicare	713	
Medical insurance	5,583	
Unemployment taxes	81	
Contracted services		
Addressing/mapping expense	1,050	
Audit services	5,150	
Accounting services	3,600	
Engineering services	2,400	
Fees paid to service provider	348	
Maintenance agreement	45,634	
Repair and maintenance:		
Communications equipment	4,594	
Building and facilities	641	
Vehicles	898	
Fuel - vehicles	940	
Supplies and materials		
Office supplies	460	
Data processing supplies	807	
Small equipment purchases	5,149	
Postage	270	
Utilities	8,044	
Other charges		
Dues and memberships	277	
Insurance - workers compensation	300	
Insurance - liability	1,812	
Other liability		
Insurance - vehicles	104	
Insurance - equipment	9,502	
Legal notices	102	
Licenses and fees	754	
Insurance - surety bonds	920	

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

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2014

Other charges (continued)		
Training	15,561	
Travel	1,457	
Internet charges	1,012	
Depreciation expense	69,735	
Amortization expense	<u>11,557</u>	
Total operating expenses		<u>251,705</u>
Operating income		77,498
Non-operating revenues (expenses)		
Interest income	1,361	
Interest expense	<u>(18,814)</u>	
Net non-operating revenues (expenses)		<u>(17,453)</u>
Net income before capital grants		60,045
Capital grants		
TECB capital grant/reimbursement		<u>695,347</u>
Increase in net position		755,392
Net position - July 1, 2013		<u>924,567</u>
Net position - June 30, 2014		<u>\$ 1,679,959</u>

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

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014

Cash flows from operating activities

Cash received from surcharges and other operating revenue	\$ 293,789	
Cash payments to suppliers for goods and services	(134,895)	
Cash payments for employees and taxes	(58,535)	
	100,359	

Cash flows from capital and related financing activities

Proceeds and reimbursements from grants	695,347	
Purchases of property, plant, and equipment	(20,652)	
Payments on capital lease	(170,056)	
Interest paid on capital lease	(18,814)	
	485,825	

Cash flows from investing activities

Interest earned on investments		1,361
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Net increase in cash

587,545

Cash - July 1, 2013

467,823

Cash - June 30, 2014

\$ 1,055,368

Reconciliation of operating income to net cash provided by operating activities

Operating income		\$ 77,498
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	81,292	
Increase in accounts receivable	(35,414)	
Decrease in prepaid expense	2,872	
Decrease in accounts payable	(25,981)	
Increase in accrued payroll and related payables	92	
	22,861	

Net cash provided by operating activities

\$ 100,359

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

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

June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Benton County Emergency Communications District was created on August 4, 1988, by a referendum of voters in Benton 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* (TCA).

In evaluating how to define the Benton County Emergency Communications District for financial reporting purposes, management has considered whether the District is a primary government or a component unit of another primary government. The Board of Directors of the District are appointed by the County Commission. The County Commission has the authority to adjust the rates charged by the District, and the District must obtain the approval of the Commission before issuance of most debt instruments. The County has determined that this constitutes fiscal dependency by the District, and has, therefore, included the District as a component unit of Benton County in its financial statements.

Since the District is deemed to be a municipality under Tennessee state law, it is exempt from federal income taxes.

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

The Benton County Emergency Communications District accounts for its financial position and results of operations in accordance with generally accepted accounting principles as defined in the statements of the Governmental Accounting Standards Board (GASB) for proprietary funds. 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. Budgetary Information

The District is required by TCA Section 7-86-120 to adopt an annual budget. For the year ended June 30, 2014, the District prepared its budget within the guidelines of the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*, which permits emergency communications districts to adopt budgets that are not in accordance with generally accepted accounting principles. The approved budget did not include noncash expenses, such as depreciation, amortization, or capital grant proceeds.

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

June 30, 2014

The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds. For the year ended June 30, 2014, the District had five line items that exceeded the amounts budgeted, for a total of \$27,001.

D. Assets, Liabilities, and Net Position

Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of inception. 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.

Revenues and receivables

The District receives its revenue from monthly fees paid by service users in the County. AT&T, the major service supplier in Benton County, and other telephone companies collect the service fees and remit the funds to the District, after retaining an administrative fee ranging from one to three percent of collections. Accounts receivable represent amounts due from the telephone companies. The District also receives a portion of the wireless phone surcharge collected by the Tennessee Emergency Communications Board (TECB). A receivable from TECB is recorded for amounts collected by the State prior to year end, but not remitted to the District until after June 30.

Capital assets

Capital assets are stated at cost. Capital assets are defined by the District as assets with an initial, individual cost of more than \$7,500 and an estimated useful life that exceeds one year. Assets consist of communications equipment, furniture and fixtures, leasehold improvements, and other equipment, which are depreciated using the straight-line method over estimated useful lives ranging from 5-10 years.

Impact of recently issued accounting pronouncements

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. As of June 30, 2014, 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 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.

Occupancy in-kind

Benton County provides the District with personnel, facilities and related utilities for the District's operations. No provision has been made in these financial statements to recognize any amounts incurred by the County on the District's behalf.

Personnel

The District has no employees other than its Director. All dispatch functions are conducted by employees of Benton County.

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

June 30, 2014

NOTE 2 – DETAILED NOTES ON ACCOUNTS

A. Deposits and Investments

As of June 30, 2014, the District had demand deposits at financial institutions in checking accounts, savings accounts, money market accounts and certificates of deposit.

Custodial Credit Risk - The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. 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. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2014, all of the District's deposits were insured or collateralized.

B. Capital Assets

Capital asset activity for the year was as follows:

Description	Balance 7/1/13	Additions	Disposals	Balance 6/30/14
Capital assets, being depreciated				
Communications equipment	\$ 555,568	\$ 20,652	\$ -	\$ 576,220
Leasehold improvements	8,420	-	-	8,420
Other equipment	55,973	-	-	55,973
Furniture and fixtures	26,836	-	-	26,836
Vehicles	5,500	-	-	5,500
Intangible assets	<u>115,572</u>	<u>-</u>	<u>-</u>	<u>115,572</u>
Total capital assets being depreciated	<u>767,869</u>	<u>20,652</u>	<u>-</u>	<u>788,521</u>
Less accumulated depreciation/amortization				
Communications equipment	71,873	57,119	-	128,992
Leasehold improvements	2,310	843	-	3,153
Other equipment	40,774	7,996	-	48,770
Furniture and fixtures	3,008	2,677	-	5,685
Vehicles	550	1,100	-	1,650
Intangible assets	<u>11,557</u>	<u>11,557</u>	<u>-</u>	<u>23,114</u>
Total accum. deprn/amortization	<u>130,072</u>	<u>81,292</u>	<u>-</u>	<u>211,364</u>
Total capital assets, net	<u>\$ 637,797</u>	<u>\$ (60,640)</u>	<u>\$ -</u>	<u>\$ 577,157</u>

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

C. Capital Lease

The District financed \$200,000 of new equipment purchased during the prior fiscal year with a capital lease. The lease with AT&T called for monthly payments of \$3,777 over 60 months with a 5% interest rate. During the current year, the District received grant funds from TECB that were used to pay off the lease in full. Long-term debt activity for the year was as follows:

Beginning balance	\$ 170,056
Payments made	<u>(170,056)</u>
Ending balance	<u><u>\$ -</u></u>

NOTE 3 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks related to general and public officials liability, officers/directors errors and omissions liability and property and casualty losses. It is the District's policy to purchase commercial insurance for these risks. Settlements have not exceeded insurance coverage in any of the prior three years.

SUPPLEMENTARY INFORMATION SECTION

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

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance Over (Under)
Operating revenue				
TECB - shared wireless charge	\$ 41,000	\$ 41,000	\$ 49,147	\$ 8,147
TECB - operational funding	225,000	225,000	225,934	934
Emergency telephone service charge	<u>60,000</u>	<u>60,000</u>	<u>54,122</u>	<u>(5,878)</u>
Total operating revenue	<u>326,000</u>	<u>326,000</u>	<u>329,203</u>	<u>3,203</u>
Operating expenses				
Salaries and wages				
Director salary	49,200	49,200	49,200	-
Employee benefits				
Social security	3,050	3,050	3,050	-
Medicare	714	714	713	(1)
Medical insurance	8,235	5,655	5,583	(72)
Unemployment taxes	231	231	81	(150)
Contracted services				
Addressing/mapping expense	10,000	10,000	1,050	(8,950)
Audit services	5,150	5,150	5,150	-
Accounting services	3,600	3,600	3,600	-
Data processing services	500	500	-	(500)
Engineering services	2,400	2,400	2,400	-
Fees paid to service provider	350	350	348	(2)
Legal services	500	500	-	(500)
Maintenance agreement	39,000	39,000	45,634	6,634
Mapping/database consultants	35,000	35,000	-	(35,000)
Repair and maintenance:				
Communications equipment	2,000	5,000	4,594	(406)
Building and facilities	1,000	1,000	641	(359)
Vehicles	2,000	2,000	898	(1,102)
Office equipment	2,000	2,000	-	(2,000)
Fuel - vehicles	2,500	2,500	940	(1,560)
Supplies and materials				
Office supplies	2,500	2,500	460	(2,040)
Custodial supplies	300	300	-	(300)
Data processing supplies	300	300	807	507
Small equipment purchases	5,500	5,500	5,149	(351)
Postage	350	350	270	(80)
Uniforms and shirts	200	200	-	(200)
Utilities	6,960	7,460	8,044	584
Other charges				
Bank service charges	100	100	-	(100)
Dues and memberships	400	400	277	(123)
Insurance - workers compensation	300	1,000	300	(700)
Insurance - liability	1,300	1,350	1,812	462

See independent auditor's report

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

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance Over (Under)
Other charges (continued)				
Insurance - vehicles	750	966	104	(862)
Insurance - equipment	9,000	10,446	9,502	(944)
Legal notices	200	200	102	(98)
Licenses and fees	1,500	1,500	754	(746)
Insurance - surety bonds	600	2,520	920	(1,600)
Public education	300	300	-	(300)
Training	22,000	22,000	15,561	(6,439)
Travel	2,500	2,500	1,457	(1,043)
Internet charges	2,000	2,000	1,012	(988)
Total operating expenses	<u>224,490</u>	<u>229,742</u>	<u>170,413</u>	<u>(59,329)</u>
Operating income	<u>101,510</u>	<u>96,258</u>	<u>158,790</u>	<u>62,532</u>
Non-operating revenues (expenses)				
Interest income	-	-	1,361	1,361
Interest expense	-	-	(18,814)	18,814
Net non-operating revenues (expenses)	<u>-</u>	<u>-</u>	<u>(17,453)</u>	<u>(17,453)</u>
Increase in net position - budgetary basis	<u>\$ 101,510</u>	<u>\$ 96,258</u>	<u>\$ 141,337</u>	<u>\$ 45,079</u>
Reconciliation of budgetary basis to GAAP basis:				
Capital grant not budgeted			695,347	
Noncash expenses not budgeted:				
Depreciation			(69,735)	
Amortization			<u>(11,557)</u>	
Decrease in net position - GAAP basis - page 5			<u>\$ 755,392</u>	

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION

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Kentucky 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
Benton County Emergency Communications District

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 Benton County Emergency Communications District 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, and have issued our report thereon dated April 10, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Benton 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 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 and response as items 2012-002, 2010-001 and 2009-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton 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 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 response as items 2012-002 and 2010-001.

Benton County Emergency Communications District's Response to Findings

Benton County Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and response. 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
April 10, 2015

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSE
For the Year Ended June 30, 2014**

2012-002 Insufficient Surety Bond Coverage

Condition: The District did not obtain a surety bond on the new director of operations.

Criteria: Tennessee Code Annotated (TCA) 7-86-119 states “Any board member, executive committee member, employee, officer, or any other authorized person of an emergency communications district, who receives public funds, has authority to make expenditures from public funds, or has access to any public funds is hereby required to give bond made payable to the state of Tennessee. . . .

Effect: Failure to comply with state laws governing surety bonds increases the risk of loss of public funds.

Recommendation: We recommend that the District obtain surety bonds on all personnel outlined above in the amounts required by state statute.

Response: *We are going through the bond application for the director to allow him to be bonded.*

2010-001 Expenditures over Budget

Condition: There were five line items in expenditures that exceeded the amounts budgeted for the year ended June 30, 2014.

	Final Budget	Actual	Over Budget
Maintenance agreement	\$ 39,000	\$ 45,634	\$ 6,634
Data processing supplies	300	807	507
Utilities	7,460	8,044	584
Insurance - liability	1,350	1,812	462
Interest expense	-	18,814	18,814

Criteria: TCA Section 7-86-120 states “no district may expend any moneys regardless of their source . . . except in accordance with a budget adopted under this section.” The *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* states that expenses must be presented at the legal level of control, which is defined to be at the line-item level.

Effect: The District has made expenses not legally appropriated by the Board.

Recommendation: We recommend that the District carefully monitor its budget each month and make amendments as needed to authorize all expenditures. All final budget amendments for a current fiscal year must be approved prior to June 30.

Response: *We concur. We plan to carefully monitor the budget and make necessary amendments in a timely fashion for the current fiscal year budget.*

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSE
For the Year Ended June 30, 2014

2009-001 Segregation of Duties

Condition: The secretary/treasurer of the board is the interim director of the District and handles all bookkeeping functions.

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 it is apparent that staff size is not adequate to fully segregate the accounting functions of the District, management needs to be aware that this limitation in internal control over financial reporting exists.

Response: *We concur. Beginning January 1, 2013, these duties were separated with the hiring of a director of operations, thus allowing the secretary/treasurer to resume his duties since the retirement of the former director several years prior.*

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PRIOR FINDINGS
For the Year Ended June 30, 2014

Financial Statement Findings

Finding No.	Description	Status
2012-002	Insufficient Surety Bond Coverage	repeated
2010-001	Expenditures over Budget	repeated
2009-001	Segregation of Duties	repeated
2013-001	Checks Issued without Dual Signatures	corrected