

MEIGS COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

TWELVE MONTHS ENDED JUNE 30, 2014

MEIGS COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

CONTENTS

June 30, 2014

Roster of Board of Directors and Management	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-6
Financial Section	
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8-9
Statement of Cash Flows	10
Notes to Financial Statements	11-13
Supplementary Information	
Budgetary Comparison Schedule	14-15
Internal Control and Compliance Section	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting	16-17
Schedule of Findings and Recommendations	18
Schedule of Prior Audit Findings	19

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT
June 30, 2014

Hugh Bryan, Chairman

George Billingsley, Vice Chairman

Jeff Thompson, Treasurer / Secretary

Tracey Simpson, Member

Wayne Jarvis, Member

Chris Smith, Member

HARTING, BISHOP & ARRENDALE, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA
KELVIN W. BISHOP, CPA
THOMAS H. ARRENDALE, CPA, MBA

JANICE L. HAYES, CPA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Meigs County "911" Emergency
Communications District

Report on the Financial Statements

We have audited the accompanying financial statements of Meigs County "911" Emergency Communications District as of and for the year ended June 30, 2014, and the related notes to the financial statements.

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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meigs County "911" 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Meigs County "911" Emergency Communications District's basic financial statements. The budgetary comparison schedule on pages 14 and 15 is 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2014, on our consideration of the Meigs County "911" 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 Meigs County "911" Emergency Communications District's internal control over financial reporting and compliance.

Harting, Bishop & Arrendale, PLLC

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee

November 15, 2014



Meigs County Emergency Communications District

P.O. Box 352 • Decatur, Tennessee 37322
(423) 334-4950 • Fax: (423) 334-3165

Kelly Bredwell
Director

Management's Discussion and Analysis

Our discussion and analysis of the Meigs County "911" Emergency Communications District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. This should be read in conjunction with the District's financial statements, which may be found elsewhere in this document.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the District as a whole and present an overview of the District's finances.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any entity's finances is: "How did the District do financially this year?" The statement of net position and statement of revenues, expenses and changes in net position report information in a way that helps answer this question. These statements include all assets and liabilities using accrual basis accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. Net position -- the difference between assets and liabilities -- are one way to measure the District's financial health, or its financial position. Over time, increases or decreases to the District's net position are an indicator of whether its financial health is improving or deteriorating. An analysis of net position and changes in net position is as follows:

	<u>2014</u>	<u>2013</u>
Net Position		
Current and other assets	\$ 481,611	\$ 480,938
Capital assets	<u>326,917</u>	<u>386,996</u>
Total assets	808,528	867,934
Current liabilities	<u>(2,902)</u>	<u>(8,588)</u>
Net Position	<u>\$ 805,626</u>	<u>\$ 859,346</u>
Summary of net position -		
Investment in capital assets	\$ 326,917	\$ 386,996
Unrestricted	<u>478,709</u>	<u>472,350</u>
Total Net Position	<u>\$ 805,626</u>	<u>\$ 859,346</u>
Change in Net Position		
Operating revenues	\$ 197,770	\$ 206,599
Operating expenses	<u>305,154</u>	<u>243,776</u>
Operating income/(loss)	(107,384)	(37,177)
Non-operating income	<u>53,664</u>	<u>255,793</u>
Change in Net Position	(53,720)	218,616
Net Position	<u>859,346</u>	<u>640,730</u>
Net Position - ending	<u>\$ 805,626</u>	<u>\$ 859,346</u>

Analysis of Financial Position and Results of Operations

The District's net position has decreased by \$53,720. Operating revenue decreased by 4.3%, primarily due to the decrease of emergency telephone service charges. Operating expenditures increased 25.2%. This increase was due to an increase in the amount paid to Meigs County government and an increase in depreciation due to the leasehold improvement remodel and new NG911 equipment being placed in service.

The District's Net Position

The District completed the year with net position of \$805,626, a decrease of \$53,720 from the previous year.

Budgetary Highlights

In order to prevent budget overruns, the final budget was amended. The significant changes were to leasehold improvements for plumbing purchases. Expenses of \$305,154, reported on page 9, differ from the District's expenses of \$253,218 reported on the budgetary comparison schedule on page 15. This difference arises due to the budget being prepared on the cash basis.

Capital Assets

At the end of the accounting period, the District had \$326,917 in capital assets such as communications and office equipment, furniture and fixtures, vehicles and leasehold improvements. This amount represents a decrease of \$60,079 or 4.54% due to current year depreciation.

Financial Activity and Plans for Future Needs

During the FY 2014, the ECD continued to support emergency communications by investing in new technology and assisting the County in 911 services. In the upcoming FY the District would like to assist in upgrading radio communications by increasing signal at radio repeater sites. Since having a loss in revenue this FY, the District will be diligently cautious with funds while making possible new and upgraded, when needed, 911 services.

The ECD, while currently in a stable fiscal position, is preparing for a period of decline in 911 revenues, as the decline of landline fees continues unabated, while growth of 911 fees from wireless/cellular devices no longer is sufficiently robust to offset the trend. Because the County is experiencing financial hardship related to the economy, it is not able to increase financial resources to support emergency communications. Thus, the ECD is taking care to retain existing revenues to offset equipment replacement costs and other mandatory expenditures.

Hugh Bryan
Chairman of Board

FINANCIAL SECTION

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION

June 30, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$	322,912
Certificates of deposit		142,500
Accounts receivable		3,315
Accrued interest receivable		38
Prepaid expenses		<u>12,846</u>
Total Current Assets		<u>481,611</u>

Capital Assets

Furniture and fixtures		26,937
Office equipment		6,851
Communication equipment		515,031
Vehicles		31,415
Leasehold improvements		<u>153,724</u>

Less Accumulated Depreciation		<u>733,958</u> <u>(407,041)</u>
-------------------------------	--	------------------------------------

Capital Assets, net		<u>326,917</u>
---------------------	--	----------------

Total Assets	\$	<u>808,528</u>
--------------	----	----------------

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$	<u>2,902</u>
Total Liabilities		<u>2,902</u>

Net Position

Investment in capital assets		326,917
Unrestricted net position		<u>478,709</u>
Total Net Position		<u>805,626</u>

Total Liabilities and Net Position	\$	<u>808,528</u>
------------------------------------	----	----------------

The accompanying notes are an integral part
of this financial statement.

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2014

OPERATING REVENUES

Emergency telephone service charge	\$	43,652
TECB - shared wireless charge		29,936
TECB - operational funding		124,182
Total Operating Revenues		197,770

OPERATING EXPENSES

Contracted Services		
Audit services		4,500
Contracts with government agencies		135,000
Fees paid to service providers		12,829
Legal services		5,400
Map/Database Consultant		14,261
Maintenance and repairs - communications equipment		690
Communication Equipment		24,267
NCIC/TBI/TIES expenses		16,679
Other contracted services		10,127
Total Contracted Services		223,753

Supplies and Materials

Postage		46
Office supplies		3,151
Other supplies and materials		55
Total Supplies and Materials		3,252

Other Charges

Board meeting expenses		923
Dues and memberships		1,692
Legal notices		99
Insurance		1,671
Licenses and Fees		549
Premiums on surety bond		479
Public education		1,299
Training expenses		2,419
Travel expenses		3,939
Total Other Charges		13,070

(Continued on next page)

The accompanying notes are an integral part
of this financial statement.

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 For the Year Ended June 30, 2014

Depreciation	
Depreciation expense	\$ <u>65,079</u>
Total Operating Expenses	<u>305,154</u>
 Operating Loss	 <u>(107,384)</u>
 NON-OPERATING REVENUE/(EXPENSES)	
Interest income	712
TECB grant & reimbursements	52,837
Miscellaneous income	<u>115</u>
 Non-operating revenue/(expenses)	 <u>53,664</u>
 DECREASE IN NET POSITION	 (53,720)
 Net position, beginning	 <u>859,346</u>
 Net position, ending	 <u><u>\$ 805,626</u></u>

The accompanying notes are an integral part
of this financial statement.

MEIGS COUNTY "911" 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 revenues	\$ 198,237
Cash payments to suppliers for goods and services	<u>(248,218)</u>
Net cash used by operating activities	<u>(49,981)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants / Reimbursements TECB	225,325
Miscellaneous Income	<u>115</u>
Net cash provided by noncapital financing activities	<u>225,440</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	<u>(5,000)</u>
Net cash used by capital and related financing activities	<u>(5,000)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of certificate of deposit	(287)
Interest income received	<u>717</u>
Net cash provided by investing activities	<u>430</u>

Net increase in cash and cash equivalents 170,889

Cash and cash equivalents, beginning of year 152,023

Cash and cash equivalents, end of year \$ 322,912

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities

Operating loss	\$ (107,384)
Adjustments to reconcile operating income to net cash provided by (used by) operating	
Depreciation expense	65,079
Change in assets and liabilities:	
Decrease in accounts receivable	467
Increase in prepaid expenses	(2,457)
Decrease in accounts payable	<u>(5,686)</u>
Net cash used by operating activities	<u>\$ (49,981)</u>

The accompanying notes are an integral part
of this financial statement.

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - General Information

Public Chapter No. 867 of the 1984 Tennessee Public Acts ("The Emergency Communications District Law") was enacted to establish local emergency telephone services; to provide for the funding of such services and such district; and to provide for the levying of a telephone service charge.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

The District is a governmental unit, subject to accounting directives issued by the Governmental Accounting Standards Board (GASB), and anticipates recovering the cost of its services in a manner similar to a private business enterprise. Therefore, the District uses the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Operating revenues are those that result from the activities of the District, including telephone service charges, expense reimbursements, and grants for operations. Revenue from other sources is considered non-operating.

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments which have original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

Expenditures greater than \$750 for capital assets are recorded at historical cost. Capital assets are depreciated using the straight-line method. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Communication equipment	2-10
Furniture and fixtures	5-7
Office equipment	2-7
Leasehold improvements	5-20
Vehicles	5

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 2 - Summary of Significant Accounting Policies (continued)

Component Unit

The Meigs County "911" Emergency Communications District is a component of Meigs County, Tennessee. As such, Meigs County exercises significant influence over the District by having control over the appointment of the District's Board. The District must file a budget with Meigs County and any bonds issued by the District are subject to approval by Meigs County, Tennessee.

Budgets and Budgetary Accounting

The District's Board approves an annual budget based upon anticipated revenues and estimated operating expenses. In accordance with the level of control established by the Tennessee Comptroller of the Treasury, operating expenses may not exceed the amount budgeted in each line item. Budgeted expenses may be amended, as needed, to meet changing needs.

NOTE 3 - Cash on Deposit

The treasurer of the District is responsible for receiving, disbursing, depositing and investing the District's funds. The District's policy related to deposits and investment risk is to invest in certificates of deposit usually with a maturity of three years or less. The District's policy is designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws. All deposits with a bank or other financial institution shall be secured by collateral or in a collateral pool as allowed by state statutes. As of June 30, 2014 all deposits with financial institutions were secured by collateral or by State of TN Bank collateral pool. A schedule of cash and investments classified by category of credit risk at June 30, 2014 is as follows:

	Carrying Amount	Bank Balance
Cash, insured by Federal Depository Insurance (FDIC)	\$ 250,000	\$ 250,000
Amount not insured by FDIC	72,912	73,292
Certificates of Deposit, insured by FDIC	<u>142,500</u>	<u>142,500</u>
Total	<u>\$ 465,412</u>	<u>\$ 465,792</u>

NOTE 4 - Accounts Receivable

The account receivable balance represents amounts due from the telephone companies' subscriber service charges at June 30, 2014.

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 5 - Capital Assets

The following is a schedule of changes to capital assets:

	June 30, 2013	Additions	Retirements	June 30, 2014
Communications Equipment	\$ 515,031	\$ -	\$ -	\$ 515,031
Furniture and Fixtures	26,937	-	-	26,937
Leasehold Improvements	148,724	5,000	-	153,724
Office Equipment	6,851	-	-	6,851
Vehicles	31,415	-	-	31,415
Total	<u>\$ 728,958</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 733,958</u>
	Accumulated			Accumulated
	Depreciation			Depreciation
	June 30, 2013	Additions	Retirements	June 30, 2014
Communications Equipment	\$ 297,583	\$ 45,491	\$ -	\$ 343,074
Furniture and Fixtures	7,871	5,125	-	12,996
Leasehold Improvements	18,682	7,635	-	26,317
Office Equipment	6,307	545	-	6,852
Vehicles	11,519	6,283	-	17,802
Total	<u>\$ 341,962</u>	<u>\$ 65,079</u>	<u>\$ -</u>	<u>\$ 407,041</u>

Provision for depreciation totaled \$65,079 for the year ended June 30, 2014.

NOTE 6 - Risk Management - Claims and Insurance

Significant losses are covered by commercial insurance for property, liability, and employee dishonesty covered by Meigs County Government. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current or the three prior years.

NOTE 7 – Impact Payments and Facility Memorandum of Understanding

The communications center is located in the Meigs County Jail complex. The District will make impact payments to the County of Meigs per the terms of the 2004 Communications Agreement. Impact payments for the year ended June 30, 2014 totaled \$135,000.

The District also has a memorandum of understanding (MOU) with the County of Meigs to occupy and exercise facility management for the portion of the Meigs County Jail complex which is used exclusively for public safety communications. The MOU is effective until such a time as either party shall inform the other in writing of the termination of the MOU. Upon termination, Meigs County has agreed to reimburse the District the then-present value of the property, including any improvements.

NOTE 8 – Subsequent Events

Subsequent events were evaluated through November 15, 2014 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended June 30, 2014

	Actual	Budget	Variance
	Cash Basis	Cash Basis	(Over) Under
CASH RECEIPTS			
Emergency telephone service charge	\$ 44,119	\$ 86,000	\$ 41,881
TECB - shared wireless charge	29,936	26,500	(3,436)
TECB - operational funding	124,182	124,109	(73)
Interest income	717	-	(717)
TECB grants & reimbursements	225,325	185,000	(40,325)
Miscellaneous income	115	-	(115)
	<u>424,394</u>	<u>421,609</u>	<u>(2,785)</u>
CASH EXPENDITURES			
Addressing/Mapping expenses	-	2,500	2,500
Audit services	4,500	4,500	-
Contracts with government agencies	135,000	85,000	(50,000)
Fees paid to service providers	14,064	17,431	3,367
Legal services	5,400	5,800	400
Mapping/Data Base Consultant	14,140	10,000	(4,140)
NCIC/TBI/TIES expenses	18,274	17,000	(1,274)
Communication equipment	25,232	10,000	(15,232)
Maintenance and repairs - communication equipment	690	-	(690)
Fuel expense	-	1,500	1,500
Other contracted services	11,387	5,000	(6,387)
Office supplies	5,367	3,269	(2,098)
Postage	46	100	54
Utilities - general telephone	-	2,500	2,500
Other supplies and materials	55	-	(55)
Board meeting expenses	1,053	2,000	947
Dues and memberships	1,692	250	(1,442)
Vehicle expense	-	1,600	1,600
Legal notices	99	200	101
Licenses and fees	549	1,500	951
Premiums on surety bonds	1,342	2,800	1,458
Public education	1,299	1,000	(299)
Training expenses	2,419	3,000	581
Travel expenses	3,939	2,500	(1,439)
Insurance expenses	1,671	-	(1,671)

(Continued on next page)

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended June 30, 2014

	<u>Actual</u> Cash Basis	<u>Budget</u> Cash Basis	Variance (Over) Under
Leasehold improvements	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total cash basis expenses	<u>253,218</u>	<u>184,450</u>	<u>(68,768)</u>
Cash Basis Net Income (Loss)	<u>171,176</u>	<u>\$ 237,159</u>	<u>\$ 65,983</u>

Reconciliation of Cash Basis to Accrual Basis:

Depreciation expense	(65,079)
Decrease in accounts receivable	(467)
Decrease in due from TECB	(172,488)
Decrease in accrued interest receivable	(5)
Increase in prepaid expenses	2,457
Decrease in accounts payable	5,686
Purchase of capital assets	<u>5,000</u>
Net Reconciliation Cash to Accrual	<u>(224,896)</u>
Decrease in Net Position (Accrual)	(53,720)
Net position, beginning	<u>859,346</u>
Net position, ending	<u>\$ 805,626</u>

**INTERNAL CONTROL
AND COMPLIANCE SECTION**

HARTING, BISHOP & ARRENDALE, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA
KELVIN W. BISHOP, CPA
THOMAS H. ARRENDALE, CPA, MBA

JANICE L. HAYES, CPA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Meigs County "911" 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 Meigs County "911" 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 November 15, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City Meigs County "911" 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 opinions 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 recommendations that we consider to be significant deficiencies: 2014-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meigs County "911" 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 recommendations as items: 2014-2.

Meigs County "911" Emergency Communications District's Response to Findings

Meigs County "911" Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. 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.

Harting, Bishop & Arrendale, PLLC

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee

November 15, 2014

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2014

The findings and recommendations as a result of the audit of the Meigs County "911" Emergency Communications District are presented below. Finding 2014-1 and 2014-2 are repeated from the prior year ended June 30, 2013.

2014-1: Segregation of Duties

Condition and Criteria: Staff job functions should be segregated so that errors and fraud will be detected by employees in the normal course of their work, in a timely manner. The relatively small size of Meigs County "911" Emergency Communications District administrative staff prevents this proper segregation of duties. Segregation of duties should be in place that allows errors and fraud to be detected by employees in the normal course of their work.

Effect: Lack of segregation of duties prevents errors and fraud to be detected by employees in the normal course of their work.

Cause: This occurred due to the small size of the District.

Recommendation: Segregation of duties should be implemented as staff size increases.

Management Response: We agree with the auditors' findings and recommendations.

2014-2: Budget

Condition and Criteria: The District is required to maintain expenditures within budget amounts. Budget line items were over expended.

Effect: The District has made expenditures in excess of the amounts budgeted.

Cause: The District's accounting system did not provide timely financial and budget reports.

Recommendation: We recommend the District maintain the approved budget to ensure expenditures remain within budget.

Management Response: We agree with the auditor's findings and recommendations and have implemented new accounting and budget procedures to ensure expenditures are budgeted and budgets are properly amended.

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2014

2013-1: Segregation of Duties

Condition and Criteria: Staff job functions should be segregated so that errors and fraud will be detected by employees in the normal course of their work, in a timely manner. The relatively small size of Meigs County "911" Emergency Communications District administrative staff prevents this proper segregation of duties. Segregation of duties should be in place that allows errors and fraud to be detected by employees in the normal course of their work.

Effect: Lack of segregation of duties prevents errors and fraud to be detected by employees in the normal course of their work.

Cause: This occurred due to the small size of the District.

Recommendation: Segregation of duties should be implemented as staff size increases.

Current Status: The staff size has not increased. This finding was noted for the 2014 audit.

2013-2: Budget

Condition and Criteria: The District is required to maintain expenditures within budget amounts. Budget line items were over expended.

Effect: The District has made expenditures in excess of the amounts budgeted.

Cause: The District's accounting system did not provide timely financial and budget reports.

Recommendation: We recommend the District maintain the approved budget to ensure expenditures remain within budget.

Current Status: The District is diligently working to improve the budget amendment process to ensure all expenditures are within the approved budget line items. This finding was noted for the 2014 audit.