

**OBION COUNTY  
EMERGENCY COMMUNICATIONS DISTRICT**

**FINANCIAL STATEMENTS**

**June 30, 2014**

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
TABLE OF CONTENTS**

**Introductory Section**

Schedule of Officials ..... 1

**Financial Section**

Independent Auditor's Report.....2  
Statement of Net Position .....4  
Statement of Revenues, Expenses and Changes in Net Position .....5  
Statement of Cash Flows .....6  
Notes to Financial Statements .....7

**Supplementary Information Section**

Budgetary Comparison Schedule..... 11

**Internal Control and Compliance Section**

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*..... 13  
Schedule of Findings..... 15  
Schedule of Prior Year Findings..... 16

## **INTRODUCTORY SECTION**

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

June 30, 2014

**Board Members**

Mark Watson – Chairman

Bob Reavis – Vice-Chairman

John Horner – Treasurer

Polk Glover – Secretary

Dan Boykin  
Kathy Forrester  
Kenny Thurmond  
Tim Partin  
Judy Barker

**Management Official**

Sherri Hanna – Executive Director

**Independent Certified Public Accountants**

Alexander Thompson Arnold PLLC  
Union City, Tennessee

## **FINANCIAL SECTION**

**Members of:**

American Institute of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants



Certified Public Accountants  
**Offices in Tennessee & Kentucky**

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Union City, TN 38261

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Obion County Emergency Communications District, a component unit of Obion County, Tennessee, as of and for the year ended June 30, 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 Obion 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 October 6, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Obion County Emergency Communications District's internal control over financial reporting and compliance.

*Alexander Thompson Arnold PLLC*

Union City, Tennessee  
October 6, 2014

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

**Assets**

Current assets

Cash		\$ 430,634
Investments - certificates of deposit		382,165
Accounts receivable		12,493
Due from Tennessee Emergency Communications Board		43,472
Prepaid expenses		<u>20,120</u>
Total current assets		888,884

Noncurrent assets

Capital assets

Construction in progress		
Land	30,000	
Office equipment and furniture	144,148	
Vehicles	39,876	
Communications and mapping equipment	600,183	
Building and improvements	<u>507,743</u>	
Total capital assets	1,321,950	
Accumulated depreciation	<u>(601,095)</u>	
Net capital assets		<u>720,855</u>
Total assets		1,609,739

**Liabilities**

Current liabilities

Accounts payable		<u>1,073</u>
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**Net position**

Investment in capital assets	720,855	
Unrestricted	<u>887,811</u>	
<b>Total net position</b>		<b><u>\$ 1,608,666</u></b>

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

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

<b>Operating revenue</b>		
Emergency telephone service charge		\$ 177,662
Tennessee Emergency Communications Board - shared wireless charge		81,435
Tennessee Emergency Communications Board - operational funding		281,765
Miscellaneous income		<u>6,479</u>
Total operating revenue		547,341
 <b>Operating expenses</b>		
Salaries and wages	235,523	
Employee benefits	23,407	
Contracted services	67,997	
Supplies and materials	21,644	
Other charges	29,353	
Depreciation and amortization	<u>88,895</u>	
Total operating expenses		<u>466,819</u>
<b>Operating income</b>		<b>80,522</b>
 <b>Non-operating income (expense)</b>		
Interest income	2,706	
Tennessee Emergency Communications Board reimbursements	<u>30,000</u>	
Total non-operating income (expense)		<u>32,706</u>
<b>Increase in net position</b>		<b>113,228</b>
Net position - July 1, 2013		<u>1,495,438</u>
Net position - June 30, 2014		<u>\$ 1,608,666</u>

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

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

**Cash flows from operating activities**

Cash received from customers		\$ 550,200
Cash payments to suppliers for goods and services		(142,629)
Cash payments to employees for services		<u>(235,523)</u>
Net cash provided by operating activities		172,048

**Cash flows from investing activities**

Purchase of investments	(101,111)	
Interest earned on investments	<u>2,706</u>	
Net cash used by investing activities		<u>(98,405)</u>

**Net increase in cash** **73,643**

Cash - July 1, 2013 356,991

Cash - June 30, 2014 \$ 430,634

**Reconciliation of operating income to net cash provided by operating activities**

Operating income		\$ 80,522
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	75,020	
Amortization	13,875	
Decrease in accounts receivable	3,277	
Increase in due from TECB - operations	(418)	
Decrease in accounts payable	<u>(228)</u>	
Total adjustments		<u>91,526</u>
Net cash provided by operating activities		<u>\$ 172,048</u>

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

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

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. The GASB has established criteria to determine whether (a) an entity has any component units that should be included for financial reporting purposes, or (b) the entity itself should be included as a component unit of another reporting entity. The District's board is appointed by the Obion County Commission, 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 included the District as a component unit of Obion County.

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

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

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

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

**C. Assets, Liabilities, and Net Position**

**Cash and Cash Equivalents**

The District defines cash and cash equivalents as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of inception. As of June 30, 2014, the District had no short-term investments meeting this definition.

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

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

**Accounts receivable**

Accounts receivable represents amounts due from various phone companies.

**Prepaid expenses**

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

**Capital assets**

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

**Compensated absences**

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

**Impact of recently issued accounting pronouncements**

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows and inflows of resources, which are distinct from assets and liabilities, and also renames as net position, rather than net assets, the residual of all other elements presented in a statement of financial position. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. 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.

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The District's Board of Directors approves an appropriatory budget annually. The budget for the year ended June 30, 2014, was prepared on the accrual basis. The legal level of control is at each line item of expense; therefore, each line item must be amended to authorize actual expenditures. For the year ended June 30, 2014, the line item entitled "other contracted services" exceeded the amount budgeted by \$1,529. In addition, the District budgeted an amount for depreciation, a noncash expense. Actual depreciation exceeded this budgeted amount by \$10,020.

**NOTE 3 – DETAILED NOTES ON ACCOUNTS**

**A. Deposits and investments**

The District has its cash deposits in local banks. Investments on the balance sheet as of June 30, 2014, consisted of certificates of deposit issued by local banks.

Custodial Credit Risk – The District's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2014, all of the District's deposits were fully insured or collateralized.

**B. Capital assets**

Capital asset activity during the year was as follows:

Description	Balance 7/01/13	Additions	Disposals	Balance 6/30/14
Capital assets, not being depreciated				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Capital assets, being depreciated				
Office equipment and furniture	\$ 144,148	\$ -	\$ -	\$ 144,148
Vehicles	39,876	-	-	39,876
Communications and mapping equipment	600,183	-	-	600,183
Building and improvements	507,743	-	-	507,743
Total capital assets being depreciated	<u>1,291,950</u>	<u>-</u>	<u>-</u>	<u>1,291,950</u>
Less accumulated depreciation				
Office equipment and furniture	81,049	12,932	-	93,981
Vehicles	14,616	5,052	-	19,668
Communications equipment	347,691	43,290	-	390,981
Building and improvements	82,719	13,746	-	96,465
Total accumulated depreciation	<u>526,075</u>	<u>75,020</u>	<u>-</u>	<u>601,095</u>
Total capital assets, net	<u>\$ 795,875</u>	<u>\$ (75,020)</u>	<u>\$ -</u>	<u>\$ 720,855</u>

Depreciation expense for the year ended June 30, 2014, was \$75,020.

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

**NOTE 4 – OTHER INFORMATION**

**Risk Management**

The District is exposed to various risks related to general and public official's liability, officers'/director's omissions liability, automobile liability, property and casualty losses, and workers' compensation. To cover these risks, the District joined the Tennessee Municipal League (TML), which is a public entity risk pool established to provide insurance coverage to local governments in Tennessee and is self-sustaining through member premiums. The Pool is a cooperative risk sharing arrangement that works in many ways like a traditional insurer. The District pays annual premiums to the Pool based on its prior claims history. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. In addition, the District has purchased commercial insurance to provide for employee health insurance. Settlements have not exceeded insurance coverage in any of the prior three years. The District is self-insured for unemployment claims by its employees, which means that the District will reimburse the State's workforce development agency for any claims against the District as they occur. There were no claims made during the year ended June 30, 2014. An immaterial amount was charged to expense for a claim made by a former employee to the state unemployment fund that was assessed to the District.

## **SUPPLEMENTARY INFORMATION SECTION**

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

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
<b>Operating revenue</b>				
Emergency telephone service charge	\$ 197,000	\$ 197,000	\$ 177,662	\$ (19,338)
TECB - shared wireless charge	86,000	86,000	81,435	(4,565)
TECB - operational funding	209,000	209,000	281,765	72,765
Miscellaneous income	500	500	6,479	5,979
Total operating revenue	<u>492,500</u>	<u>492,500</u>	<u>547,341</u>	<u>54,841</u>
<b>Operating expenses</b>				
Salaries and wages				
Director	39,000	39,000	38,981	(19)
Dispatchers	209,100	222,100	196,542	(25,558)
Employee benefits				
Social security	15,400	16,200	14,087	(2,113)
Medicare	3,600	3,800	3,295	(505)
Unemployment	2,500	2,500	158	(2,342)
Life insurance	300	300	87	(213)
Medical insurance	6,000	6,000	5,248	(752)
Other fringe benefits	250	1,125	532	(593)
Contracted services				
Addressing/mapping expense	1,000	1,000	898	(102)
Advertising	500	500	282	(218)
Audit services	3,450	3,450	3,450	-
Accounting services	2,500	2,500	2,400	(100)
Engineering services	2,500	2,500	1,300	(1,200)
Fees paid to service providers	17,500	17,500	15,917	(1,583)
Maintenance agreement	2,500	2,500	1,786	(714)
Legal services	1,500	1,500	363	(1,137)
Pest control	500	500	435	(65)
Lease/Rental:				
Building rental	700	700	660	(40)
Office equipment	-	400	363	(37)
Maintenance and repairs				
Communications equipment	5,000	9,000	5,732	(3,268)
Building and facility	2,500	7,000	6,854	(146)
Office equipment	500	500	221	(279)
Vehicle	1,000	1,650	1,518	(132)
Fuel expense - vehicle	1,500	1,400	1,289	(111)
Language line	250	250	-	(250)
Other contracted services	15,000	23,000	24,529	1,529
Supplies and materials				
Office supplies	3,500	3,500	2,454	(1,046)
Custodial supplies	1,200	1,250	1,118	(132)
Data processing supplies	250	250	167	(83)
Postage	500	500	81	(419)
Small equipment purchases	1,000	1,000	338	(662)
Uniforms/identification badges	200	200	-	(200)

*See independent auditor's report*

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

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Utilities				
Electric	9,500	10,000	9,721	(279)
Gas - generator	800	800	778	(22)
Water	1,000	1,100	1,066	(34)
General telephone	4,500	4,500	4,491	(9)
Cell phones and pagers	800	800	678	(122)
Other supplies and materials	900	900	752	(148)
Other charges				
Board meeting expenses	1,800	1,800	1,719	(81)
Dues and memberships	1,000	1,200	1,130	(70)
Employee testing and exams	500	1,000	763	(237)
Insurance				
Workers compensation	1,000	1,000	621	(379)
Liability	6,250	6,250	6,145	(105)
Buildings and contents	2,500	2,000	1,722	(278)
Equipment	500	550	89	(461)
Vehicle	750	1,000	877	(123)
Legal notices	200	200	-	(200)
Licenses and fees	250	250	-	(250)
Premiums on surety bonds	2,000	2,000	1,150	(850)
Public education	500	400	61	(339)
Service awards	500	1,000	921	(79)
Training expenses	7,500	7,000	6,946	(54)
Travel expenses	5,000	6,500	6,297	(203)
Internet	900	1,050	905	(145)
Miscellaneous expense	100	100	7	(93)
Amortization of prepaid maintenance expense	14,000	14,000	13,875	(125)
Depreciation	<u>77,000</u>	<u>65,000</u>	<u>75,020</u>	<u>10,020</u>
Total operating expenses	<u>480,950</u>	<u>503,975</u>	<u>466,819</u>	<u>(37,156)</u>
<b>Operating income</b>	<b>11,550</b>	<b>(11,475)</b>	<b>80,522</b>	<b>91,997</b>
<b>Non-operating income (expense)</b>				
Interest income	2,300	2,300	2,706	406
State reimbursements	<u>76,000</u>	<u>63,300</u>	<u>30,000</u>	<u>(33,300)</u>
Total non-operating income (expense)	<u>78,300</u>	<u>65,600</u>	<u>32,706</u>	<u>(32,894)</u>
<b>Increase in net position</b>	<b><u>\$ 89,850</u></b>	<b><u>\$ 54,125</u></b>	<b><u>\$ 113,228</u></b>	<b><u>\$ 59,103</u></b>

*See independent auditor's report*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

**Members of:**

American Institute of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
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  
Obion County Emergency Communications District  
Union City, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Obion County Emergency Communications District as of and for the year ended June 30, 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 October 6, 2014.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as Item 1997-001, that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Obion County Emergency Communications District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 as Item 2014-001.

## **Obion County Emergency Communications District's Response to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Alexander Thompson Arnold PLLC*

Union City, Tennessee  
October 6, 2014

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

June 30, 2014

**2014-001 Line Items over Budget**

Condition: During the year ended June 30, 2014, two line items of expense exceeded their budgeted amounts.

Other contracted services	\$ 1,529
Depreciation	10,020

Criteria: TCA Section 7-86-120 requires emergency communications districts to adopt and operate under an annual budget. 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: Expenses have been reported that were not legally approved in accordance with state statute.

Recommendation: Before approving expenditures, the amount of the unexpended budget amount by line item should be reviewed to prevent expenditures in excess of budgeted amounts.

Response: *These errors were as a result of oversights and not as a result of any attempt of overspending by the agency. The account 4299 "Other Contracted Services" is comprised of two sub-accounts, which were not shown added together for a total amount; the amended total did not take into consideration both sub-account balances. The depreciation expense was correct in the original budget but was adjusted down by amendment. During the audit process, the depreciation schedule was reviewed with the Executive Director. The NG911 controller, which was installed in FY 2012-2013, was incorrectly depreciated only for a partial year on the schedule, which made the depreciation adjustment incorrect. The original budgeted figure was the correct figure that should have been used.*

**1997-001 Segregation of Duties**

Condition: Due to the size of the staff, the Obion County Emergency Communications District could not fully segregate the record-keeping, custodial and authorization functions of its internal accounting controls for the year ended June 30, 2014.

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

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

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

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

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

June 30, 2014

**Financial Statement Findings**

<b>Finding No.</b>	<b>Finding Title</b>	<b>Status</b>
1997-001	Segregation of Duties	Repeated

**Federal Award Findings and Questioned Costs**

The District was not subject to a Single Audit in the prior year.