

POLK COUNTY "911"  
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

TWELVE MONTHS ENDED JUNE 30, 2014

POLK COUNTY "911"  
EMERGENCY COMMUNICATIONS DISTRICT

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June 30, 2014

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

Steve Lofty, Chairman

Bruce Wentworth, Vice Chairman

Ruth Patton, Treasurer

Wayne Loudermilk, Secretary

Jerry Stephens, Member

Becky Cearly, Member

Mike Worely, 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  
Polk County "911" Emergency  
Communications District

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Polk County "911" Emergency Communications District, a component unit of Polk County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Polk County "911" Emergency Communications District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 respective financial position of Polk County "911" Emergency Communications District as of June 30, 2014, and the respective changes in its financial position and its cash flows 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 Polk 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 January 7, 2015, on our consideration of Polk 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 Polk County "911" Emergency Communications District's internal control over financial reporting and compliance.

  
Harting Bishop & Arrendale, PLLC

Cleveland, Tennessee  
January 7, 2015

**POLK COUNTY E-911**  
**PO BOX 911**  
**Ocoee, TN 37361**

*CARE OF: THEDA BRAMLETT - EXECUTIVE DIRECTOR*

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**Management's Discussion and Analysis**

Our discussion and analysis of the Polk 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 are as follows:

	<u>2014</u>	<u>2013</u>
Net Position		
Current and other assets	\$ 354,086	\$ 415,434
Capital assets	<u>606,277</u>	<u>538,153</u>
Total assets	960,363	953,587
Current liabilities	<u>(600)</u>	<u>(5,320)</u>
Net Position	<u>\$ 959,763</u>	<u>\$ 948,267</u>
Summary of net position -		
Investment in capital assets	\$ 606,277	\$ 538,153
Unrestricted	<u>353,486</u>	<u>410,114</u>
Total Net Position	<u>\$ 959,763</u>	<u>\$ 948,267</u>
Change in Net Position		
Operating revenues	\$ 228,905	\$ 231,440
Operating expenses	<u>277,577</u>	<u>234,392</u>
Operating income/(loss)	(48,672)	(2,952)
Non-operating income	<u>60,168</u>	<u>91,583</u>
Change in Net Position	11,496	88,631
Net Position - beginning	<u>948,267</u>	<u>859,636</u>
Net Position - ending	<u>\$ 959,763</u>	<u>\$ 948,267</u>

### **Analysis of Financial Position and Results of Operations**

The District's net position has increased by \$11,496. Operating revenues decreased 1.10% primarily due to slight decreases in emergency telephone service charges. Operating expenditures were up 18.42% due to increases in addressing/mapping expenses, building repair and maintenance expenses, and depreciation expense.

### **The District's Net Position**

The District completed the year with net position of \$959,763 an increase of \$11,496 over the previous year.

### **Budgetary Highlights**

The actual charges to expenses were \$236,108 below the final budgeted amount. This is primarily due to the budgeted small equipment purchases that were capitalized instead of expensed and maintenance and utility expenses were less than anticipated. Other budget variances are not considered significant and, therefore, not addressed here.

Actual revenues, in total, were more than budgeted revenues by \$43,724, with operating revenues being under budget by \$95. Non-operating revenues were over budget due to equipment reimbursements that were received but not budgeted during the year.

### **Capital Assets**

At the end of the accounting period, The District had \$606,277 in capital assets such as communications and office equipment, furniture, vehicles, and leasehold improvements. This amount represents an increase of \$68,124 or 12.66%. The increase is due to the addition of new radio equipment.

### **Financial Activity and Plans for Future Needs**

The new PSAP and mapping equipment has been installed and the radio control system upgraded. We are currently upgrading the radio tower sites and installation of a CAD system is under way with bids and pricing on it.

Stephen M Lofty  
Chairman of the Board

## FINANCIAL SECTION

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

June 30, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$	146,686
Certificates of deposit		199,998
Accounts receivable		2,690
Accrued interest receivable		25
Prepaid expenses		<u>4,687</u>

Total Current Assets 354,086

Capital Assets

Communication equipment		904,491
Furniture and fixtures		18,002
Office equipment		13,238
Vehicles		88,459
Leasehold improvements		<u>140,799</u>

1,164,989

Less Accumulated Depreciation (558,712)

Capital Assets, net 606,277

Total Assets \$ 960,363

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$	<u>600</u>
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Total Liabilities 600

Net Position

Investment in capital assets		606,277
Unrestricted net position		<u>353,486</u>

Total Net Position 959,763

Total Liabilities and Net Position \$ 960,363

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

POLK 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	\$	43,189
TECB - shared wireless charge		42,856
TECB - operational funding		142,860
Total Operating Revenues		228,905

OPERATING EXPENSES

Contracted Services		
Addressing/Mapping expenses		49,798
Advertising		122
Audit services		4,500
Accounting services		8,900
Data processing service/ T Line		32,796
Fees paid to service providers		1,668
Legal services		6,600
IT consultant		4,504
Training consultant		14,264
Rental/Buildings facilities		1,321
Maintenance and repairs - communications equipment		3,974
Maintenance and repairs - buildings facility		12,405
Maintenance and repairs - vehicles		322
Pest Control		70
Total Contracted Services		141,244

Supplies and Materials

Office supplies	2,110
Postage	182
Small equipment purchases	9,217
Utilities - electric	2,283
Utilities - gas	22
Utilities - water and sewer	195
Utilities - general telephone	5,161
Utilities - cell phones	1,897
Total Supplies and Materials	21,067

(Continued on next page)

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

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014

(Continued from previous page)

Other Charges	
Board meeting expenses	1,035
Insurance - buildings and contents	2,907
Insurance - vehicles	2,174
Licenses and fees	7
Premiums on surety bonds	1,926
Training expenses	2,843
Travel expenses	4,299
Bank charges	55
Internet charges	7,125
Total Other Charges	22,371
Depreciation	
Depreciation expense	92,895
Total Operating Expenses	277,577
Operating Loss	(48,672)
NON-OPERATING REVENUE	
Interest income - checking	123
Interest income - certificate of deposit	781
TECB grant & reimbursements	59,264
Non-Operating Revenue	60,168
INCREASE IN NET POSITION	11,496
Net position, beginning	948,267
Net position, ending	\$ 959,763

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

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2014

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from surcharges and other revenues	\$ 237,571
Cash payments to suppliers for goods and services	<u>(190,960)</u>
Net cash provided by operating activities	<u>46,611</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Grants/Reimbursements TECB	<u>59,264</u>
Net cash provided by noncapital financing activities	<u>59,264</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	<u>(161,019)</u>
Net cash used by capital and related financing activities	<u>(161,019)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of certificates of deposit	(827)
Interest income	<u>950</u>
Net cash provided by investing activities	<u>123</u>
Net decrease in cash and cash equivalents	(55,021)
Cash and cash equivalents, beginning of year	<u>201,707</u>
Cash and cash equivalents, end of year	<u><u>\$ 146,686</u></u>
 <b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities</b>	
Operating loss	\$ (48,672)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:	
Depreciation expense	92,895
Change in assets and liabilities:	
Decrease in accounts receivable	8,666
Increase in prepaid expenses	(1,558)
Decrease in accounts payable	<u>(4,720)</u>
Net cash provided by operating activities	<u><u>\$ 46,611</u></u>

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

POLK 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 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	5-10
Furniture and fixtures	10
Office equipment	5-10
Leasehold improvements	10-20
Vehicles	5

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

NOTE 2 - Summary of Significant Accounting Policies (continued)

Component Unit

The Polk County "911" Emergency Communications District is a component of Polk County, Tennessee. As such, Polk 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 Polk County and any bonds issued by the District are subject to approval by Polk 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. A schedule of cash and investments classified by category of credit risk at June 30, 2014 is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash, insured by Federal Depository Insurance (FDIC)	\$ 146,686	\$ 154,735
Certificates of Deposit, Insured by Federal Depository Insurance (FDIC)	199,703	192,314
Certificates of Deposit, Secured by Pledged Collateral	<u>295</u>	<u>7,684</u>
Total	<u>\$ 346,684</u>	<u>\$ 354,733</u>

NOTE 4 - Accounts Receivable

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

POLK 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	\$ 744,314	\$ 160,177	\$ -	\$ 904,491
Furniture and Fixtures	17,160	842	-	18,002
Office Equipment	13,238	-	-	13,238
Leasehold Improvements	140,799	-	-	140,799
Vehicles	88,459	-	-	88,459
Total	<u>\$ 1,003,970</u>	<u>\$ 161,019</u>	<u>\$ -</u>	<u>\$ 1,164,989</u>

	Accumulated Depreciation June 30, 2013	Additions	Retirements	Accumulated Depreciation June 30, 2014
Communications Equipment	\$ 423,555	\$ 64,422	\$ -	\$ 487,977
Furniture and Fixtures	9,020	1,730	-	10,750
Office Equipment	9,187	1,121	-	10,308
Leasehold Improvements	19,337	7,930	-	27,267
Vehicles	4,718	17,692	-	22,410
Total	<u>\$ 465,817</u>	<u>\$ 92,895</u>	<u>\$ -</u>	<u>\$ 558,712</u>

Provision for depreciation totaled \$92,895 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. 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 - Lease Commitments

The District has a Special Use Permit with the U.S. Department of Agriculture, Forest Service, for the building and land in which the District office is located. The Special Use Permit authorizes the District to use the building and land at no cost as long as the District maintains the building in compliance with the Operation and Maintenance Plan. The Special Use Permit expired on December 31, 2009 and a new permit can be obtained at the discretion of the U.S. Department of Agriculture. The District continues to use the building and land in accordance with the expired Special Use Permit.

NOTE 8-Subsequent Events

Subsequent events were evaluated through January 7, 2015 which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

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

	Actual <u>(Accrual Basis)</u>	Budget <u>(Accrual Basis)</u>	Variance <u>(Over) Under</u>
<b>OPERATING REVENUES</b>			
Emergency telephone service charge	\$ 43,189	\$ 53,000	\$ 9,811
TECB - shared wireless charge	42,856	36,000	(6,856)
TECB - operational funding	142,860	140,000	(2,860)
Total Operating Revenues	<u>228,905</u>	<u>229,000</u>	<u>95</u>
<b>OPERATING EXPENSES</b>			
Contracted Services			
Addressing/Mapping expenses	49,798	40,300	(9,498)
Advertising	122	500	378
Audit services	4,500	4,800	300
Accounting services	8,900	10,600	1,700
Data processing service/ T Line	32,796	29,000	(3,796)
Fees paid to service providers	1,668	4,400	2,732
Legal services	6,600	6,600	-
Communication consultants	-	1,600	1,600
IT consultant	4,504	7,000	2,496
Training consultant	14,264	16,000	1,736
Rental/Buidlings facilities	1,321	2,525	1,204
Maintenance and repairs communication equip	3,974	15,000	11,026
Maintenance and repairs buildings facility	12,405	10,500	(1,905)
Maintenance and repairs buildings vehicles	322	500	178
Pest Control	70	500	430
Total Contracted Services	<u>141,244</u>	<u>149,825</u>	<u>8,581</u>
Supplies and Materials			
Office supplies	2,110	3,000	890
Postage	182	800	618
Small equipment purchases	9,217	231,300	222,083
Utilities - electric	2,283	5,200	2,917
Utilities - gas	22	500	478
Utilities - water-sewer	195	500	305
Utilities - general telephone	5,161	35,000	29,839
Utilities - cell phones	1,897	4,000	2,103
Uniforms and Shirts	-	1,500	1,500
Total Supplies and Materials	<u>21,067</u>	<u>281,800</u>	<u>260,733</u>

(Continued on next page)

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2014

(Continued from previous page)

	Actual	Budget	Variance
	<u>(Accrual Basis)</u>	<u>(Accrual Basis)</u>	<u>(Over) Under</u>
Other Charges			
Board meeting expenses	1,035	1,200	165
Insurance - buildings and content	2,907	3,000	93
Insurance - vehicles	2,174	2,500	326
Licenses and fees	7	2,100	2,093
Premiums on surety bonds	1,926	1,500	(426)
Training expenses	2,843	8,000	5,157
Travel expenses	4,299	6,500	2,201
Bank charges	55	20	(35)
Internet charges	7,125	8,740	1,615
Public education	-	300	300
Service awards	-	200	200
Total Other Charges	<u>22,371</u>	<u>34,060</u>	<u>11,689</u>
Depreciation			
Depreciation expense	<u>92,895</u>	<u>48,000</u>	<u>(44,895)</u>
Total Depreciation	<u>92,895</u>	<u>48,000</u>	<u>(44,895)</u>
Total Operating Expenses	<u>277,577</u>	<u>513,685</u>	<u>236,108</u>
Operating Income (Loss)	<u>(48,672)</u>	<u>(284,685)</u>	<u>236,013</u>
NON-OPERATING REVENUE			
Interest income - checking	123	750	627
Interest income - certificate of deposit	781	5,600	4,819
TECB grant & reimbursements	<u>59,264</u>	<u>198,950</u>	<u>139,686</u>
Total Non-Operating Revenue	<u>60,168</u>	<u>205,300</u>	<u>145,132</u>
Change in Net Position	<u>\$ 11,496</u>	<u>\$ (79,385)</u>	<u>\$ 90,881</u>

INTERNAL CONTROL  
AND COMPLIANCE SECTION

HARTING, BISHOP & ARRENDALE, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA  
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JANICE L. HAYES, CPA

MEMBER  
AMERICAN INSTITUTE OF  
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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  
Polk 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 Polk 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 Polk County "911" Emergency Communications District's basic financial statements and have issued our report thereon dated January 7, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Polk 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 a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations that we consider to be a significant deficiency as item 2014-1.

## **Compliance and Other Matters**

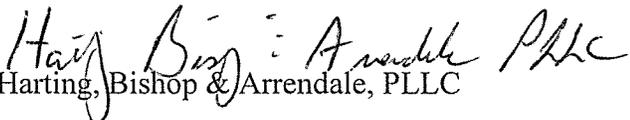
As part of obtaining reasonable assurance about whether Polk County "911" Emergency Communications District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with 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 and 2014-3.

## **Polk County "911" Emergency Communications District's Response to Findings**

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

Cleveland, Tennessee  
January 7, 2015

POLK 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 Polk County "911" Emergency Communications District are presented below. Findings 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 Polk 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: District has made expenditures in excess of the amounts budgeted.

Cause: The District had one account with expenditures in excess of the budgeted amount.

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

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

2014-3: General Ledger Recording

Condition and Criteria: The District is required to record revenues and expenses in the correct accounts.

Effect: The District recorded transactions in incorrect general ledger accounts which resulted in interim financial reports being inaccurate and management being unable to make decisions based upon the reports (i.e. budget amendments).

Cause: The District's new bookkeeper was unfamiliar with the state manual and the chart of accounts.

Recommendation: We recommend the bookkeeper review the state manual and chart of accounts in order for proper and consistent recording of transactions.

Management Response: We agree with the auditors' findings and recommendations and have implemented procedures to ensure transactions are recorded in the correct accounts.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
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 Polk 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: District has made expenditures in excess of the amounts budgeted.

Cause: The District had one account with expenditures in excess of the budgeted amount.

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

Current Status: New staff is being trained in QuickBooks to adequately prepare and monitor the budget. This finding was noted for the 2014 audit.