

**PERRY COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT**

**(A Component Unit)**

Financial Statements

June 30, 2015

# PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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# INTRODUCTORY SECTION

**PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Board of Directors**

**June 30, 2015**

<u>Official</u>	<u>Office</u>
Gary Rogers	Chairman
Charles Hendrix	Vice Chairman
Marianne Watson	Secretary
Harold Mercer	Director
Jarrold Richardson	Director
Blake Garrison	Director
Mary Ann Qualls	Director
Jeff Graves	Director

# FINANCIAL SECTION

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

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134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Perry County Emergency Communications District  
Linden, Tennessee

**Report on the Financial Statements**

I have audited the accompanying financial statements of the Perry County Emergency Communications District, a component unit of Perry County, Tennessee as of and for the year ended June 30, 2015, 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Perry County Emergency Communications District, a component unit of Perry County, Tennessee as of June 30, 2015, and the 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 Required Supplementary Information which includes the Management's Discussion and Analysis 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. I 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 my inquiries, the basic financial statements and other knowledge we obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

## **Other Matters -Other Information**

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section and the Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The Introductory Section and the Supplementary Information have 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 Introductory Section and the Supplementary Information, 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*, I have also issued my report dated July 31, 2015 on the consideration of the District's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 the entity's internal control over financial reporting and compliance.

*John R. Paulo, CPA*

July 31, 2015

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## **Perry County Emergency Communications District**

### **Management's Discussion and Analysis**

As management of the Perry County Emergency Communications District, (the District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the District. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

#### **Financial Highlights:**

The assets of the Perry County Emergency Communications District exceeded its liabilities at the close of the most recent fiscal year by \$1,354,028. Of this amount, \$934,410 (unrestricted Net Position) may be used to meet the District's ongoing obligations. The District's total Net Position increased by \$84,020 during the current year, primarily as a result of higher grant receipts than expected and keeping expenses within total expense appropriations.

#### **Overview of the Financial Statements:**

The Statement of Net Position presents information on all the District's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The basic financial statements can be found on pages 6-8 of this report. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9-11 of this report.

#### **Financial Analysis of the Financial Statements**

As noted earlier, Net Position may serve over time as a useful indicator of the District's financial position. In the case of the Perry County Emergency Communications District, assets exceeded liabilities by \$1,354,028 at the close of the most recent fiscal year. One of the largest portions of the District's assets reflects its investment in capital assets. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

**Comparison of Revenues and Expenses between years**

	<u>2015</u>	<u>2014</u>	<u>Variance</u>
Operating Revenues:			
Emergency Telephone Service Charge	\$34,261	\$67,383	(\$33,122)
State Emergency Communications Board Wireless Charge	10,845	20,161	(\$9,316)
Operating Grants -TECB - Operational Funding	62,091	124,182	(\$62,091)
TECB Distribution of Excess Revenue	131,781	0	131,781
Total Operating Revenues	<u>238,978</u>	<u>211,726</u>	<u>27,252</u>
Operating Expenses:			
Dispatchers	50,420	49,469	(951)
Depreciation	51,141	56,951	5,810
Supplies	8,552	14,163	5,611
Insurance	6,831	6,483	(348)
Professional services	1,610	6,913	5,303
Training	3,006	3,202	196
Utilities	25,442	28,143	2,701
Repair and maintenance	50,111	21,142	(28,969)
Total Operating Expenses	<u>197,113</u>	<u>186,466</u>	<u>(10,647)</u>
Operating income (loss)	<u>41,865</u>	<u>25,260</u>	<u>16,605</u>
Nonoperating Revenues (Expenses):			
Contributions - State Emergency Communications	39,731	23,269	16,462
Interest income	2,424	1,151	1,273
Total Nonoperating Revenues (Expenses)	<u>42,155</u>	<u>24,420</u>	<u>17,735</u>
Net change in net position	<u>84,020</u>	<u>49,680</u>	<u>34,340</u>

Revenues were higher in the current year with the State of Tennessee new funding formula. Expenses were slightly higher as repair and maintenance costs were higher than the prior year. The District maintained all expenses within budgeted amounts.

**Perry County Emergency Communications District's Net Position**

	<u>2014</u>	<u>2015</u>
Current assets	\$ 800,984	936,143
Capital assets, net	<u>470,759</u>	<u>419,618</u>
Total assets	<u>1,271,743</u>	<u>1,355,761</u>
Accounts payable	<u>1,735</u>	<u>1,733</u>
Total liabilities	<u>1,735</u>	<u>1,733</u>
Net Position:		
Investment in capital assets	470,759	419,618
Unrestricted	<u>799,249</u>	<u>934,410</u>
Total Net Position	\$ <u>1,270,008</u>	<u>1,354,028</u>

At the end to the current fiscal year, the District is able to report positive balances in all categories of Net Position.

**Capital Assets**

The Perry County Emergency Communications District's investment in capital assets from its activities at June 30, 2015, amounts to \$419,618 (net of accumulated depreciation). This investment in capital assets is in communications equipment and vehicles.

	<u>2015</u>	<u>2014</u>
Vehicles	\$ 20,000	20,000
Building	150,000	150,000
Communication equipment	<u>535,462</u>	<u>535,462</u>
Total	705,462	705,462
Less accumulated depreciation	<u>(285,844)</u>	<u>(234,703)</u>
Net Capital Assets	\$ <u>419,618</u>	<u>470,759</u>

Additional information on the Perry County Emergency Communications District's capital assets can be found in the notes to the financial statements section of this report.

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Cynthia Mercer  
Perry County Emergency Communications District

# FINANCIAL STATEMENTS

**PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Statement of Net Position**

**June 30, 2015**

<u>Assets</u>	<u>Account Number</u>	
Current Assets:		
Cash and cash equivalents	1001	\$389,323
Certificate of deposits	1001	540,000
Prepaid assets	1009	6,820
Total Current Assets		936,143
Capital Assets:		
Communication equipment	1308	535,462
Vehicles	1310	20,000
Buildings	1302	150,000
Less accumulated depreciation - buildings	1303	(11,250)
Less accumulated depreciation - comm. equip.	1309	(254,594)
Less accumulated depreciation - vehicles	1311	(20,000)
Total Capital Assets, Net		419,618
Total Assets		\$1,355,761
 <u>Liabilities</u>		
Current Liabilities		
Accounts payable	2001	1,733
Total Current Liabilities		1,733
Net Position		
Unrestricted	2320	934,410
Investment in capital assets	2301	419,618
Total Net Position		1,354,028

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

**PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Statement of Revenues, Expenses  
and Changes in Net Position**

**For the Year Ended June 30, 2015**

	Account Number	
Operating Revenues:		
Emergency Telephone Service Charge	3001	\$34,261
State Emergency Communications Board Wireless Charge	3002	10,845
Operating Grants -TECB - Operational Funding	3003	62,091
TECB Distribution of Excess Revenue	3020	<u>131,781</u>
Total Operating Revenues		<u>238,978</u>
 Operating Expenses:		
Dispatchers	4003	50,420
Depreciation	4501	51,141
Supplies	4301	8,552
Insurance	4409	6,831
Professional services	4203	1,610
Training	4418	3,006
Utilities	4307	25,442
Repair and maintenance	4232	<u>50,111</u>
Total Operating Expenses		<u>197,113</u>
 Operating income (loss)		<u>41,865</u>
 Nonoperating Revenues (Expenses):		
Contributions -State Emergency Communications	3040	39,731
Interest income	5002	<u>2,424</u>
Total Nonoperating Revenues (Expenses)		<u>42,155</u>
 Net change in net position		84,020
 Net position, June 30, 2014		<u>1,270,008</u>
 Net position, June 30, 2015		<u><u>\$1,354,028</u></u>

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

PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Cash Flows

For the Year Ending June 30, 2015

Cash Flows from Operating Activities:	
Cash received from customers	\$247,809
Cash paid to suppliers	(145,974)
Net Cash Provided (Used) by Operating Activities	<u>101,835</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>
Cash Flows from Non-Capital and Related Financing Activities:	
State of Tennessee contributions	39,731
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>39,731</u>
Cash Flows from Investing Activities:	
Redemption (purchase) of Certificate of deposit	(86,555)
Interest received	2,424
Net Cash Provided (Used) Investing Activities	<u>(84,131)</u>
Net Increase (decrease) in Cash	57,435
Cash and Cash Equivalents, June 30, 2014	<u>331,888</u>
Cash and Cash Equivalents, June 30, 2015	<u><u>\$389,323</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	\$41,865
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	51,141
Change in accounts receivable	8,831
Change in accounts payable	<u>(2)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$101,835</u></u>

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

# NOTES TO THE FINANCIAL STATEMENTS

# PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

## Notes to Financial Statements

June 30, 2015

### Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

Perry County Emergency Communications District ( the District) was created as a public corporation on November 8, 1998 under authority of the provisions of Chapter 867 of the Tennessee Public Acts of 1984, as approved by the voters of Perry County, Tennessee. The powers of the District are vested in and exercised by a majority of the members of the Board of Directors, who are appointed by the County. The District is considered a political subdivision and is exempt from Federal and State income taxes. The District is considered a component unit of Perry County. The County appoints the board of directors and the County Commission may adjust service fees and must approve bonded debt. As a result, the Perry County Commission indirectly imposes its will on the District.

#### Basis of Accounting

The accompanying financial statements of the District have been prepared on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Expenditures are recognized in the accounting period in which the liability is incurred and is measurable. The District uses the economic resources measurement focus in the financial statements.

#### Cash and Cash Equivalents

The District considers all highly liquid debt instruments purchased with maturities of 60 days or less to be cash equivalents.

#### Supply Inventory

Supply inventory is valued at the lower of cost (first-in, first-out) or market. Inventory items are considered expenditures when used (consumption method).

#### Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted 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.

#### Restricted Assets

It is the policy of the District to apply restricted assets when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

# PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

## Notes to Financial Statements

June 30, 2015

### **Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

#### Capital Assets

Capital assets of the District is recorded at cost. Depreciation is computed over the estimated life of the assets using the straight-line method. The estimated life for property, plant and equipment in service is from 3 to 10 years. The District does capitalize interest incurred on construction projects.

#### 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

#### Budgets and Budgetary Accounting

The District's annual budget is required by state law. The District's Board of Directors formally approve the budget. The budget is adopted on a basis consistent with generally accepted accounting principles. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by Board vote on an annual basis. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The Board approves total budget appropriations by line item only. The Board is authorized to transfer budget amounts between line items within each line item; however, any revisions that alter the total appropriations of any fund must be approved by vote of the Board. Management may not adjust budget amounts without Board approval. State regulations establishes the legal level of control to be at the line-item level.
- c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

#### Operating revenues and operating expenses

The District recognizes operating revenues and operating expenses resulting from providing services and producing goods to its customers. All other revenues and services are deemed nonoperating.

**PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

Notes to Financial Statements

**Note 2 - CASH AND CERTIFICATES OF DEPOSIT**

The District is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During the year, the District invested funds that were not immediately needed in deposit accounts. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The District has deposit policies to minimize custodial credit risks. The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the District and must total a minimum of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The District's deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

**Note 3 - CAPITAL ASSETS**

A summary of changes in capital assets in service is as follows:

	Balance <u>6-30-14</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>6-30-15</u>
Buildings	150,000	-	-	150,000
Vehicles	20,000	-	-	20,000
Equipment	<u>535,462</u>	<u>-</u>	<u>-</u>	<u>535,462</u>
	705,462	-	-	705,462
Less accumulated depreciation				
Buildings	(7,500)			(11,250)
Vehicles	(20,000)			(20,000)
Equipment	<u>(207,203)</u>			<u>(254,594)</u>
Utility plant - net	\$ <u>470,759</u>			<u>419,618</u>

The depreciation expense for the communication equipment is \$47,391 and for the buildings is \$3,750. Depreciation expense for the year was \$51,141.

**Note 4 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. The District purchases commercial financial bonded insurance for its Treasurer and Chairman. For all other risks, the District purchases commercial insurance. There have been no claims during the last three years.

SUPPLEMENTAL  
INFORMATION

PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Revenues and Expenses  
Budget and Actual

For the Year Ended June 30, 2015

		<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
Operating Revenues:	<u>Number</u>			
Emergency Telephone Service Charge	3001	\$35,000	\$34,261	(\$739)
State Emergency Communications Board Wireless Charge	3002	19,000	10,845	(8,155)
Operating Grants -TECB - Operational Funding	3003	75,000	62,091	(12,909)
TECB Distribution of Excess Revenue	3020	<u>102,018</u>	<u>131,781</u>	<u>29,763</u>
Total Operating Revenues		<u>231,018</u>	<u>238,978</u>	<u>7,960</u>
Operating Expenses:				
Dispatchers	4003	51,000	50,420	580
Depreciation	4501	52,000	51,141	859
Supplies	4301	8,600	8,552	48
Insurance	4409	8,000	6,831	1,169
Professional services	4203	1,800	1,610	190
Training	4418	4,400	3,006	1,394
Utilities	4307	26,000	25,442	558
Repair and maintenance	4232	<u>55,000</u>	<u>50,111</u>	<u>4,889</u>
Total Operating Expenses		<u>206,800</u>	<u>197,113</u>	<u>9,687</u>
Operating income (loss)		<u>24,218</u>	<u>41,865</u>	<u>17,647</u>
Nonoperating Revenues (Expenses):				
Contributions -State Emergency Communications	3040	26,000	39,731	13,731
Interest income	5002	<u>1,000</u>	<u>2,424</u>	<u>1,424</u>
Total Nonoperating Revenues (Expenses)		<u>27,000</u>	<u>42,155</u>	<u>15,155</u>
Net change in net position		<u>51,218</u>	<u>84,020</u>	<u>32,802</u>

**PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Schedule of Expenses**

**For the Year Ended June 30, 2015**

	<u>Account Number</u>	<u>Expenses</u>
Telecommunications wages	4004	\$ 50,420
Telephone	4312	15,104
Repair and maintenance	4332	24,680
Service contracts	4218	25,431
Dues	4413	310
Supplies	4305	6,550
Office supplies	4301	1,885
Utilities	4307	10,338
Liability insurance	4408	6,531
Surety insurance	4414	300
Training	4418	2,493
Travel	4419	513
Depreciation	4501	51,141
Professional services - accounting	4203	1,300
Miscellaneous	4499	117
Total expenses		\$ <u>197,113</u>

**PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**Schedule of State Financial Assistance**

**For the Year Ended June 30, 2015**

<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance July 1, 2014</u>	<u>Cash Receipts</u>	<u>Other Receipts</u>	<u>Cash Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2015</u>
<b>State Program:</b>							
N/A	Dispatcher training	State of Tennessee	<u>\$0</u>	<u>9,000</u>	<u>\$0</u>	<u>9,000</u>	<u>0</u>
N/A	AT&T reimbursement	State of Tennessee	<u>\$0</u>	<u>5,753</u>	<u>\$0</u>	<u>5,753</u>	<u>0</u>
N/A	GIS	State of Tennessee	<u>\$0</u>	<u>24,978</u>	<u>\$0</u>	<u>24,978</u>	<u>0</u>
	Totals		<u>0</u>	<u>39,731</u>	<u>0</u>	<u>39,731</u>	<u>0</u>

# COMPLIANCE AND INTERNAL CONTROL

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**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**

Board of Directors  
Perry County Emergency Communications District  
Linden, Tennessee

I have audited 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, the financial statements of the Perry County Emergency Communications District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Perry County Emergency Communications District's basic financial statements, and have issued a report thereon dated July 31, 2015.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Perry 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Perry County Emergency Communications District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Perry County Emergency Communications District's internal control.

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control that I consider to be a material weakness (2001-001 Lack of segregation of Duties).

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 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. A material weakness is a deficiency, or 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. I consider the deficiency described below (2001-001) to be a material weakness.

The material weakness is as follows:

2001-001 Separation of Duties

Due to the limited number of personnel employed by the District, several functions, which ideally should be performed by different individuals, are regularly performed by one or two persons. I recommend that the District strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Management Response:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Perry County Emergency Communications District's financial statements are free of material misstatement, I 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Response to Finding**

The Perry County Emergency Communications District's response to the finding identified in the audit is described above. The Perry County Emergency Communications District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result 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.

*John R Poole, CPA*

July 31, 2015

**PERRY COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

Schedule of Disposition of Prior Year Comments

June 30, 2015

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2001-001	Separation of Duties	Continues