

**BENTON COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

FINANCIAL STATEMENTS

June 30, 2015

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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INTRODUCTORY SECTION

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

June 30, 2015

Jerold Johnson – Chairman
William Bell – Vice-chairman
Dwayne Presson
George Montgomery
Richard Kee
Raymond Palen
David Markham

Justin Whipple – Director of Operations

FINANCIAL SECTION

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Independent Auditor's Report

Board of Directors
Benton County Emergency Communications District

Report on the Financial Statements

We have audited the accompanying financial statements of the Benton County Emergency Communications District, a component unit of Benton County, Tennessee, as of and for the year ended June 30, 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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Benton County Emergency Communications District as of June 30, 2015, 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 March 24, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Benton County Emergency Communications District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Union City, Tennessee
March 24, 2016

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

ASSETS

| | | |
|---|------------------|------------------|
| Current assets | | |
| Cash | | \$ 1,166,986 |
| Prepaid expense | | <u>11,962</u> |
| Total current assets | | 1,178,948 |
| | | |
| Noncurrent assets | | |
| Communications equipment | 594,143 | |
| Leasehold improvements | 8,420 | |
| Other equipment | 55,973 | |
| Furniture and fixtures | 26,836 | |
| Vehicles | 31,037 | |
| Intangible assets | 115,572 | |
| Accumulated depreciation and amortization | <u>(290,967)</u> | |
| Total noncurrent assets | | <u>541,014</u> |
| Total assets | | 1,719,962 |

LIABILITIES

| | | |
|--------------------------------------|--------------|--------------|
| Current liabilities | | |
| Accounts payable | 1,393 | |
| Accrued payroll and related payables | <u>1,171</u> | |
| Total liabilities | | <u>2,564</u> |

NET POSITION

| | | |
|------------------------------|------------------|----------------------------|
| Investment in capital assets | 541,014 | |
| Unrestricted | <u>1,176,384</u> | |
| Total net position | | <u>\$ 1,717,398</u> |

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

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

For the Year Ended June 30, 2015

Operating revenue

| | |
|------------------------------------|-----------|
| TECB - shared wireless charge | \$ 15,444 |
| TECB - operational funding | 227,449 |
| Emergency telephone service charge | 24,006 |
| Other operating revenues | 413 |
| Total operating revenue | 267,312 |

Operating expenses

| | |
|----------------------------------|--------|
| Salaries and wages | |
| Director salary | 49,200 |
| Employee benefits | |
| Social security | 3,050 |
| Medicare | 713 |
| Medical insurance | 4,592 |
| Unemployment taxes | 135 |
| Contracted services | |
| Addressing/mapping expense | 1,052 |
| Audit services | 5,325 |
| Accounting services | 3,600 |
| Engineering services | 2,612 |
| Fees paid to service provider | 348 |
| Maintenance agreement | 45,861 |
| Repair and maintenance: | |
| Communications equipment | 1,367 |
| Building and facilities | 2,400 |
| Vehicles | 10 |
| Fuel - vehicles | 1,968 |
| Supplies and materials | |
| Office supplies | 743 |
| Small equipment purchases | 3,935 |
| Postage | 126 |
| Uniforms and shirts | 223 |
| Utilities | 7,481 |
| Materials - stakes and numbering | 422 |
| Other charges | |
| Bank service charges | 2 |
| Dues and memberships | 277 |
| Insurance - workers compensation | 385 |
| Insurance - liability | 2,073 |
| Insurance - equipment | 10,753 |
| Legal notices | 98 |
| Licenses and fees | 703 |
| Service awards | 213 |
| Insurance - surety bonds | 942 |
| Training | 255 |

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

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

For the Year Ended June 30, 2015

| | | |
|--|---------------|----------------------------|
| Other charges (continued) | | |
| Travel | 586 | |
| Other charges | 12 | |
| Other charges - maintenance and repair | 415 | |
| Depreciation expense | 70,521 | |
| Amortization expense | <u>11,557</u> | |
| Total operating expenses | | <u>233,955</u> |
| Operating income | | 33,357 |
| Non-operating revenues (expenses) | | |
| Interest income | 4,107 | |
| Loss on disposal of capital assets | <u>(25)</u> | |
| Net non-operating revenues (expenses) | | <u>4,082</u> |
| Increase in net position | | 37,439 |
| Net position - July 1, 2014 | | <u>1,679,959</u> |
| Net position - June 30, 2015 | | <u><u>\$ 1,717,398</u></u> |

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

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

Cash flows from operating activities

| | | |
|---|--|-----------------|
| Cash received from surcharges and other operating revenue | | \$ 306,958 |
| Cash payments to suppliers for goods and services | | (95,803) |
| Cash payments for employees and taxes | | <u>(57,684)</u> |
| Net cash provided by operating activities | | 153,471 |

Cash flows from capital and related financing activities

| | | |
|---|-------|-----------------|
| Proceeds from sale of equipment | 3,000 | |
| Purchases of property, plant, and equipment | | <u>(48,960)</u> |
| Net cash used by capital and related financing activities | | (45,960) |

Cash flows from investing activities

| | | |
|--------------------------------|--|--------------|
| Interest earned on investments | | <u>4,107</u> |
|--------------------------------|--|--------------|

Net increase in cash **111,618**

Cash - July 1, 2014 1,055,368

Cash - June 30, 2015 \$ 1,166,986

Reconciliation of operating income to net cash provided by operating activities

| | | |
|---|----------|----------------|
| Operating income | | \$ 33,357 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 82,078 | |
| Decrease in accounts receivable | 39,646 | |
| Decrease in prepaid expense | 3,933 | |
| Decrease in accounts payable | (5,549) | |
| Increase in accrued payroll and related payables | <u>6</u> | |
| Total adjustments | | <u>120,114</u> |

Net cash provided by operating activities **\$ 153,471**

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

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

June 30, 2015

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Benton County Emergency Communications District was created on August 4, 1988, by a referendum of voters in Benton County, Tennessee, to be an emergency communications district as defined by Tennessee state law. As such, it is considered to be a "municipality" or public corporation in perpetuity under its corporate name and shall be a body politic and corporate with power of perpetual succession, but without power to levy or collect taxes. All Tennessee emergency communications districts are required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* developed by the Office of the Comptroller of the Treasury, Division of County Audit, pursuant to Section 7-86-304, *Tennessee Code Annotated* (TCA).

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

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

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

The Benton County Emergency Communications District accounts for its financial position and results of operations in accordance with generally accepted accounting principles as defined in the statements of the Governmental Accounting Standards Board (GASB) for proprietary funds. Proprietary fund types are reported using the *economic resources* measurement focus and the accrual basis of accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entity's net position. The accrual basis of accounting recognizes income as it is earned and expenses as they are incurred, whether or not cash is received or paid out at that time.

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

C. Budgetary Information

The District is required by TCA Section 7-86-120 to adopt an annual budget. For the year ended June 30, 2015, the District prepared its budget in accordance with generally accepted accounting principles.

The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds. For the year ended June 30, 2015, the District had fourteen line items that exceeded the amounts budgeted, for a total of \$29,269.

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

June 30, 2015

D. Assets, Liabilities, and Net Position

Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of inception. State statutes authorize the System to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements as approved by the state director of local finance, and the state's local government investment pool.

Revenues and receivables

Prior to January 1, 2015, AT&T, the major service supplier in Benton County, and other telephone companies collected service fees and remitted the funds directly to the District, after retaining an administrative fee ranging from one to three percent of collections. Effective January 1, 2015, the Districts began receiving distributions of 911 surcharges and distributions of excess revenue from the State in accordance with the 911 Funding Modernization Act. Since these distributions replace the prior collection and remitting of service fees from service suppliers, there will no longer be receivables related to the timing of collecting and remitting service fees.

Capital assets

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

Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Occupancy in-kind

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

Personnel

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

NOTE 2 – DETAILED NOTES ON ACCOUNTS

A. Deposits and Investments

As of June 30, 2015, the District had demand deposits at financial institutions in checking accounts, savings accounts, money market accounts and certificates of deposit.

Custodial Credit Risk - The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the

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

June 30, 2015

value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2015, all of the District's deposits were insured or collateralized.

B. Capital Assets

Capital asset activity for the year was as follows:

| Description | Balance 7/1/14 | Additions | Disposals | Balance 6/30/15 |
|--|-------------------|--------------------|-------------------|--------------------|
| Capital assets, being depreciated | | | | |
| Communications equipment | \$ 576,220 | \$ 17,923 | \$ - | \$ 594,143 |
| Leasehold improvements | 8,420 | - | - | 8,420 |
| Other equipment | 55,973 | - | - | 55,973 |
| Furniture and fixtures | 26,836 | - | - | 26,836 |
| Vehicles | 5,500 | 31,037 | (5,500) | 31,037 |
| Intangible assets | <u>115,572</u> | <u>-</u> | <u>-</u> | <u>115,572</u> |
| Total capital assets being depreciated | <u>788,521</u> | <u>48,960</u> | <u>(5,500)</u> | <u>831,981</u> |
| Less accumulated depreciation/amortization | | | | |
| Communications equipment | 128,992 | 59,116 | - | 188,108 |
| Leasehold improvements | 3,153 | 842 | - | 3,995 |
| Other equipment | 48,770 | 5,025 | - | 53,795 |
| Furniture and fixtures | 5,685 | 2,644 | - | 8,329 |
| Vehicles | 1,650 | 2,894 | (2,475) | 2,069 |
| Intangible assets | <u>23,114</u> | <u>11,557</u> | <u>-</u> | <u>34,671</u> |
| Total accumulated deprn/amortization | <u>211,364</u> | <u>82,078</u> | <u>(2,475)</u> | <u>290,967</u> |
| Total capital assets, net | <u>\$ 577,157</u> | <u>\$ (33,118)</u> | <u>\$ (3,025)</u> | <u>\$ 541,014</u> |

NOTE 3 – OTHER INFORMATION

A. Risk Management

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

SUPPLEMENTARY INFORMATION SECTION

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

For the Year Ended June 30, 2015

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | Variance Over (Under) |
|------------------------------------|----------------------------|---------------------------|----------------|--------------------------------------|
| Operating revenue | | | | |
| TECB - shared wireless charge | \$ 71,430 | \$ 71,430 | \$ 15,444 | \$ (55,986) |
| TECB - operational funding | 165,500 | 165,500 | 227,449 | 61,949 |
| Emergency telephone service charge | 23,350 | 23,350 | 24,006 | 656 |
| Other operating revenues | <u>36,000</u> | <u>36,000</u> | <u>413</u> | <u>(35,587)</u> |
| Total operating revenue | <u>296,280</u> | <u>296,280</u> | <u>267,312</u> | <u>(28,968)</u> |
| Operating expenses | | | | |
| Salaries and wages | | | | |
| Director salary | 49,200 | 49,200 | 49,200 | - |
| Employee benefits | | | | |
| Social security | 3,132 | 3,132 | 3,050 | (82) |
| Medicare | 744 | 744 | 713 | (31) |
| Medical insurance | 3,600 | 3,600 | 4,592 | 992 |
| Unemployment taxes | 300 | 300 | 135 | (165) |
| Contracted services | | | | |
| Addressing/mapping expense | 3,600 | 3,600 | 1,052 | (2,548) |
| Audit services | 5,150 | 5,150 | 5,325 | 175 |
| Accounting services | 3,600 | 3,600 | 3,600 | - |
| Data processing services | 17,508 | 17,508 | - | (17,508) |
| Engineering services | 2,400 | 2,400 | 2,612 | 212 |
| Fees paid to service provider | 360 | 360 | 348 | (12) |
| Maintenance agreement | 37,008 | 37,008 | 45,861 | 8,853 |
| Repair and maintenance: | | | | |
| Communications equipment | 1,500 | 1,500 | 1,367 | (133) |
| Building and facilities | 1,200 | 1,200 | 2,400 | 1,200 |
| Vehicles | 1,000 | 1,000 | 10 | (990) |
| Office equipment | 2,400 | 2,400 | - | (2,400) |
| Fuel - vehicles | 2,000 | 2,000 | 1,968 | (32) |
| Supplies and materials | | | | |
| Office supplies | 1,020 | 1,020 | 743 | (277) |
| Small equipment purchases | 5,004 | 5,004 | 3,935 | (1,069) |
| Postage | 240 | 240 | 126 | (114) |
| Uniforms and shirts | 252 | 252 | 223 | (29) |
| Utilities | 5,700 | 5,700 | 7,481 | 1,781 |
| Materials - stakes and numbering | - | - | 422 | 422 |
| Other charges | | | | |
| Bank service charges | 120 | 120 | 2 | (118) |
| Dues and memberships | 408 | 408 | 277 | (131) |
| Insurance - workers compensation | 384 | 384 | 385 | 1 |
| Insurance - liability | 1,680 | 4,592 | 2,073 | (2,519) |
| management liability | 360 | 360 | - | (360) |
| Insurance - vehicles | 864 | 864 | - | (864) |
| Insurance - equipment | 10,500 | 10,500 | 10,753 | 253 |
| Legal notices | 240 | 240 | 98 | (142) |
| Licenses and fees | 2,600 | 2,600 | 703 | (1,897) |
| Service awards | - | - | 213 | 213 |
| Insurance - surety bonds | 240 | 240 | 942 | 702 |
| Training | 8,000 | 8,000 | 255 | (7,745) |

See independent auditor's report

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

For the Year Ended June 30, 2015

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | Variance Over (Under) |
|--|----------------------------|---------------------------|-------------------------|--------------------------------------|
| Other charges (continued) | | | | |
| Travel | 1,500 | 1,500 | 586 | (914) |
| Other charges | 1,020 | 1,020 | 12 | (1,008) |
| Other charges - maintenance and repair | - | - | 415 | 415 |
| Depreciation | 58,392 | 58,392 | 70,521 | 12,129 |
| Amortization | 9,636 | 9,636 | 11,557 | 1,921 |
| Total operating expenses | <u>242,862</u> | <u>245,774</u> | <u>233,955</u> | <u>(11,819)</u> |
| Operating income | 53,418 | 50,506 | 33,357 | (17,149) |
| Non-operating revenues (expenses) | | | | |
| Interest income | 1,200 | 1,200 | 4,107 | 2,907 |
| Loss on disposal of capital assets | - | - | (25) | (25) |
| Net non-operating revenues (expenses) | <u>1,200</u> | <u>1,200</u> | <u>4,082</u> | <u>2,882</u> |
| Increase in net position | <u>\$ 54,618</u> | <u>\$ 51,706</u> | <u>\$ 37,439</u> | <u>\$ (14,267)</u> |

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

American Institute of Certified Public Accountants
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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

Phone 731.885.3661
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www.atacpa.net

**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Directors
Benton County Emergency Communications District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Benton County Emergency Communications District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and response as items 2015-001 and 2015-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton County Emergency Communications District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and response as item 2015-001.

We noted certain other matters that we have communicated to management of Benton County Emergency Communications District in a separate letter dated March 24, 2016.

Benton County Emergency Communications District's Response to Findings

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

Purpose of this Report

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

Alexander Thompson Arnold PLLC

Union City, Tennessee
March 24, 2016

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSE
For the Year Ended June 30, 2015**

2015-001 Expenditures over Budget

Condition: There were twelve line items in expenditures that exceeded the amounts budgeted for the year ended June 30, 2015.

| | Final Budget | Actual | Over Budget |
|--------------------------------------|-----------------|----------|----------------|
| Medical insurance | \$ 3,600 | \$ 4,592 | \$ 992 |
| Audit services | 5,150 | 5,325 | 175 |
| Engineering services | 2,400 | 2,612 | 212 |
| Maintenance agreement | 37,008 | 45,861 | 8,853 |
| Repair and maintenance-buildings | 1,200 | 2,400 | 1,200 |
| Utilities | 5,700 | 7,481 | 1,781 |
| Materials-stakes and numbering | - | 422 | 422 |
| Insurance – workers compensation | 384 | 385 | 1 |
| Insurance-equipment | 10,500 | 10,753 | 253 |
| Service awards | - | 213 | 213 |
| Insurance-surety bonds | 240 | 942 | 702 |
| Other charges-maintenance and repair | - | 415 | 415 |
| Depreciation | 58,392 | 70,521 | 12,129 |
| Amortization | 9,636 | 11,557 | 1,921 |

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

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

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

Response: *Benton County ECD agrees with the recommendation and has taken steps to carefully monitor all budget items more closely by providing more information for the accountant and by monitoring the items locally daily.*

2015-002 Segregation of Duties

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

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

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

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSE
For the Year Ended June 30, 2015

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

Response: *We agree. Benton County ECD has now hired a full time director to manage the day to day operations of the ECD. A new secretary and new treasurer were appointed by the board to further segregate responsibilities. We have taken as many steps as possible to segregate the accounting functions with limited staff size.*

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PRIOR FINDINGS
For the Year Ended June 30, 2015

Financial Statement Findings

| Finding No. | Description | Status |
|-------------|-----------------------------------|-----------|
| 2012-002 | Insufficient Surety Bond Coverage | Corrected |
| 2010-001 | Expenditures over Budget | Repeated |
| 2009-001 | Segregation of Duties | Repeated |