

POLK COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

TWELVE MONTHS ENDED JUNE 30, 2015

POLK COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

CONTENTS

June 30, 2015

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

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT
June 30, 2015

Steve Lofty, Chairman

Bruce Wentworth, Vice Chairman

Ruth Patton, Treasurer

Wayne Loudermilk, Secretary

Jerry Stephens, Member

Becky Cearley, Member

Mike Worley, Member

HARTING, BISHOP & ARRENDALE, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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, 2015, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Polk County "911" Emergency Communications District, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

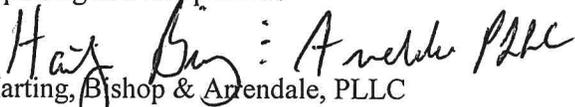
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Polk County "911" Emergency Communications District's basic financial statements. The budgetary comparison schedule on pages 14 and 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule is the responsibility of management and is 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 December 23, 2015, on our consideration of the 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 the District's internal control over financial reporting and compliance.


Harting, Bishop & Arendale, PLLC

Cleveland, Tennessee
December 23, 2015

POLK COUNTY E-911
PO BOX 132
OCOEE, TN 37361

Phone: (423) 338-1090 E-Mail: polktndepema@yahoo.com Fax: (423) 338-1091

CARE OF: SHAWN LEWIS - ADMINISTRATIVE ASSISTANT / STEVE LOFTY - CHAIRMAN

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, 2015. 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>2015</u>	<u>2014</u>
Net Position		
Current and other assets	\$ 613,381	\$ 354,086
Capital assets	<u>658,212</u>	<u>606,277</u>
Total assets	1,271,593	960,363
Current liabilities	<u>(2,964)</u>	<u>(600)</u>
Net Position	<u>\$ 1,268,629</u>	<u>\$ 959,763</u>
Summary of net position -		
Investment in capital assets	\$ 658,212	\$ 606,277
Unrestricted	<u>610,417</u>	<u>353,486</u>
Total Net Position	<u>\$ 1,268,629</u>	<u>\$ 959,763</u>
Change in Net Position		
Operating revenues	\$ 252,268	\$ 228,905
Operating expenses	<u>325,375</u>	<u>277,577</u>
Operating income/(loss)	(73,107)	(48,672)
Non-operating income	<u>381,973</u>	<u>60,168</u>
Change in Net Position	308,866	11,496
Net Position - beginning	<u>959,763</u>	<u>948,267</u>
Net Position - ending	<u>\$ 1,268,629</u>	<u>\$ 959,763</u>

Analysis of Financial Position and Results of Operations

The District's net position has increased by \$308,866. Operating revenues increased 10.21% primarily due to increases in TECB operational funding. Operating expenditures were up 17.22% due to increases in addressing/mapping expenses, accounting services, and maintenance/repair for communication equipment.

The District's Net Position

The District completed the year with net position of \$1,268,629 an increase of \$308,866 over the previous year.

Budgetary Highlights

The actual charges to expenses were \$28,390 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 \$199,941, with operating revenues being over budget by \$23,268. Non-operating revenues were over budget due to equipment reimbursements that were not budgeted but received during the year.

Capital Assets

At the end of the accounting period, The District had \$658,212 in capital assets such as communications and office equipment, furniture, vehicles, leasehold improvements, and construction in progress. This amount represents an increase of \$51,935 or 8.57%. The increase is due to the addition of a new radio tower and a CAD/mapping system.

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, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$	408,679
Certificates of deposit		200,746
Accrued interest receivable		25
Prepaid expenses		<u>3,931</u>
 Total Current Assets		 <u>613,381</u>

Noncurrent Assets

Capital Assets

Construction in progress		106,106
--------------------------	--	---------

Capital Assets Being Depreciated

Communication equipment		946,565
Furniture and fixtures		18,002
Office equipment		13,238
Vehicles		88,459
Leasehold improvements		<u>143,798</u>

Total Capital Assets		1,316,168
----------------------	--	-----------

Less Accumulated Depreciation		<u>(657,956)</u>
-------------------------------	--	------------------

Capital Assets, net		<u>658,212</u>
---------------------	--	----------------

Total Assets	\$	<u>1,271,593</u>
--------------	----	------------------

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$	<u>2,964</u>
------------------	----	--------------

Total Liabilities		<u>2,964</u>
-------------------	--	--------------

Net Position

Investment in capital assets		658,212
------------------------------	--	---------

Unrestricted net position		<u>610,417</u>
---------------------------	--	----------------

Total Net Position		<u>1,268,629</u>
--------------------	--	------------------

Total Liabilities and Net Position	\$	<u>1,271,593</u>
------------------------------------	----	------------------

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, 2015

OPERATING REVENUES

Emergency telephone service charge	\$	22,417
TECB - shared wireless charge		23,052
TECB - operational funding		206,799
Total Operating Revenues		252,268

OPERATING EXPENSES

Contracted Services

Addressing/Mapping expenses		44,675
Advertising		233
Audit services		4,500
Accounting services		15,580
Data processing service/ T Line		16,832
Legal services		6,966
IT consultant		4,075
Communications consultants		6,253
Training consultant		12,052
Rental/Buildings facilities		1,707
Maintenance and repairs - communications equipment		36,929
Maintenance and repairs - buildings facility		2,753
Maintenance and repairs - office equipment		37
Maintenance and repairs - vehicles		944
Total Contracted Services		153,536

Supplies and Materials

Office supplies		4,599
Postage		187
Small equipment purchases		1,136
Utilities - electric		2,418
Utilities - gas		87
Utilities - water and sewer		939
Utilities - general telephone		26,041
Utilities - cell phones		3,408
Fuel - vehicles		673
Total Supplies and Materials		39,488

(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, 2015
(Continued from previous page)

Other Charges	
Dues & memberships	4,000
Board meeting expenses	1,038
Insurance - buildings and contents	3,009
Insurance - vehicles	2,268
Licenses and fees	137
Premiums on surety bonds	2,160
Training expenses	6,135
Travel expenses	10,075
Bank charges	120
Internet charges	4,165
Total Other Charges	33,107
Depreciation	
Depreciation expense	99,244
Total Operating Expenses	325,375
Operating Loss	(73,107)
NON-OPERATING REVENUE	
Interest income - checking	221
Interest income - certificate of deposit	748
TECB grant & reimbursements	381,004
Non-Operating Revenue	381,973
INCREASE IN NET POSITION	308,866
Net position, beginning	959,763
Net position, ending	\$ 1,268,629

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from surcharges and other revenues	\$ 254,959
Cash payments to suppliers for goods and services	<u>(223,012)</u>
Net cash provided by operating activities	<u>31,947</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants/Reimbursements TECB	<u>381,004</u>
Net cash provided by noncapital financing activities	<u>381,004</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	<u>(151,179)</u>
Net cash used by capital and related financing activities	<u>(151,179)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of certificates of deposit	(748)
Interest income	<u>969</u>
Net cash provided by investing activities	<u>221</u>

Net increase in cash and cash equivalents	261,993
---	---------

Cash and cash equivalents, beginning of year	<u>146,686</u>
--	----------------

Cash and cash equivalents, end of year	<u>\$ 408,679</u>
--	-------------------

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

Operating loss	\$ (73,107)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:	
Depreciation expense	99,244
Change in assets and liabilities:	
Decrease in accounts receivable	2,690
Decrease in prepaid expenses	756
Increase in accounts payable	<u>2,364</u>
Net cash provided by operating activities	<u>\$ 31,947</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, 2015

NOTE 1 - General Information

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

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

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

Cash and Cash Equivalents

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

Use of Estimates

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

Capital Assets

Expenditures greater than \$1,000 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	5-20
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, 2015

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, 2015 all deposits with financial institutions were secured by collateral. A schedule of cash and investments classified by category of credit risk at June 30, 2015 is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash, insured by Federal Depository Insurance (FDIC)	\$ 301,577	\$ 302,237
Cash, Secured by Pledged Collateral	107,102	113,165
Certificates of Deposit, Secured by Pledged Collateral	<u>200,746</u>	<u>200,746</u>
Total	<u>\$ 609,425</u>	<u>\$ 616,148</u>

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

NOTE 4 - Capital Assets

The following is a schedule of changes to capital assets:

	2014	Additions	Retirements	2015
Capital assets not being depreciated:				
Construction in Progress	\$ -	\$ 106,106	\$ -	\$ 106,106
Capital assets being depreciated:				
Communications Equipment	904,491	42,074	-	946,565
Furniture and Fixtures	18,002	-	-	18,002
Office Equipment	13,238	-	-	13,238
Leasehold Improvements	140,799	2,999	-	143,798
Vehicles	88,459	-	-	88,459
Total capital assets being depreciated	1,164,989	45,073	-	1,210,062
Less accumulated depreciation	(558,712)	(99,244)	-	(657,956)
Total capital assets being depreciated, net	606,277	(54,171)	-	552,106
Total capital assets, net	\$ 606,277	\$ 51,935	\$ -	\$ 658,212

Provision for depreciation totaled \$99,244 for the year ended June 30, 2015.

NOTE 5 - 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 6 - Lease Commitments

The District has Special Use Permits with the U.S. Department of Agriculture, Forest Service, for the building and land in which the District office is located, and for the Oswald Dome Tower Site. The Special Use Permits authorize the District to use the building, land, and tower site at no cost as long as the District maintains the building and taxes in compliance with the Operation and Maintenance Plan. The District also has a lease with an individual for use of the Turtletown, TN Duck's Nest Road Tower Site. The lease is for a 20 year period maturing in December 2034 and may be renewed for an additional 20 year term. The annual amount of the lease is the ad valorem tax assessed by Polk County, Tennessee.

NOTE 7 - Subsequent Events

Subsequent events were evaluated through December 23, 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, 2015

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
OPERATING REVENUES			
Emergency telephone service charge	\$ 22,417	\$ 53,000	\$ 30,583
TECB - shared wireless charge	23,052	36,000	12,948
TECB - operational funding	<u>206,799</u>	<u>140,000</u>	<u>(66,799)</u>
Total Operating Revenues	<u>252,268</u>	<u>229,000</u>	<u>(23,268)</u>
OPERATING EXPENSES			
Contracted Services			
Addressing/Mapping expenses	44,675	30,300	(14,375)
Advertising	233	500	267
Audit services	4,500	4,800	300
Accounting services	15,580	38,000	22,420
Data processing service/ T Line	16,832	29,000	12,168
Fees paid to service providers	-	4,400	4,400
Legal services	6,966	8,800	1,834
IT consultant	4,075	7,000	2,925
Communication consultants	6,253	3,400	(2,853)
Training consultant	12,052	16,000	3,948
Rental/Buidlings facilities	1,707	2,525	818
Maintenance and repairs communication equip	36,929	15,000	(21,929)
Maintenance and repairs buildings facility	2,753	3,000	247
Maintenance and repairs office equipment	37	-	(37)
Maintenance and repairs buildings vehicles	944	1,000	56
Pest Control	<u>-</u>	<u>500</u>	<u>500</u>
Total Contracted Services	<u>153,536</u>	<u>164,225</u>	<u>10,689</u>
Supplies and Materials			
Office supplies	4,599	6,500	1,901
Postage	187	800	613
Small equipment purchases	1,136	1,300	164
Utilities - electric	2,418	5,200	2,782
Utilities - gas	87	500	413
Utilities - water-sewer	939	500	(439)
Utilities - general telephone	26,041	38,000	11,959
Utilities - cell phones	3,408	4,000	592
Uniforms and Shirts	-	1,500	1,500
Fuel - vehicles	<u>673</u>	<u>1,000</u>	<u>327</u>
Total Supplies and Materials	<u>39,488</u>	<u>59,300</u>	<u>19,812</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 (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
Other Charges			
Dues & membership	4,000	-	(4,000)
Board meeting expenses	1,038	1,300	262
Insurance - buildings and content	3,009	3,000	(9)
Insurance - vehicles	2,268	3,100	832
Licenses and fees	137	2,100	1,963
Premiums on surety bonds	2,160	1,500	(660)
Training expenses	6,135	8,000	1,865
Travel expenses	10,075	11,500	1,425
Bank charges	120	500	380
Internet charges	4,165	8,740	4,575
Public education	-	300	300
Service awards	-	200	200
Total Other Charges	<u>33,107</u>	<u>40,240</u>	<u>7,133</u>
Depreciation			
Depreciation expense	<u>99,244</u>	<u>90,000</u>	<u>(9,244)</u>
Total Depreciation	<u>99,244</u>	<u>90,000</u>	<u>(9,244)</u>
Total Operating Expenses	<u>325,375</u>	<u>353,765</u>	<u>28,390</u>
Operating Income (Loss)	<u>(73,107)</u>	<u>(124,765)</u>	<u>51,658</u>
NON-OPERATING REVENUE			
Interest income - checking	221	750	529
Interest income - certificate of deposit	748	5,600	4,852
TECB grant & reimbursements	<u>381,004</u>	<u>198,950</u>	<u>(182,054)</u>
Total Non-Operating Revenue	<u>381,973</u>	<u>205,300</u>	<u>(176,673)</u>
Change in Net Position	<u>\$ 308,866</u>	<u>\$ 80,535</u>	<u>\$ 228,331</u>

INTERNAL CONTROL
AND COMPLIANCE SECTION

HARTING, BISHOP & ARRENDALE, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

KELVIN W. BISHOP, CPA
THOMAS H. ARRENDALE, CPA, MBA
JANICE L. HAYES, CPA

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

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

To the Board of Directors
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, 2015, and the related notes to the financial statements, which collectively comprise the Polk County "911" Emergency Communications District's basic financial statements and have issued our report thereon dated December 23, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies as item 2014-001.

Compliance and Other Matters

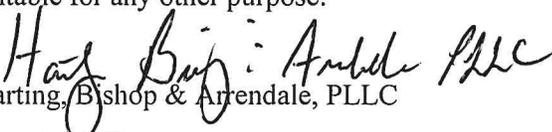
As part of obtaining reasonable assurance about whether the Polk County “911” Emergency Communications District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 item 2014-002.

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. The District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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


Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee

December 23, 2015

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2015

The findings and recommendations as a result of the audit of the Polk County "911" Emergency Communications District are presented below. Findings 2014-001 and 2014-002 are repeated from the prior year ended June 30, 2014.

2014-001: 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.

2014-002: 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 accounts with expenditures in excess of the budgeted amounts.

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.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2015

2014-001: 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 2015 audit.

2014-002: 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 accounts with expenditures in excess of the budgeted amounts.

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

Current Status: Staff is being trained to adequately prepare and monitor the budget. This finding was noted for the 2015 audit.

2014-003: 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.

Current Status: Bookkeeper recorded transactions correctly in the general ledger in accordance with the state manual.