

GRANT COUNTY E911 ACCOUNT

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS REPORT

June 30, 2014

GRANT COUNTY E911 ACCOUNT
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DENISE M. KEENE
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INDEPENDENT AUDITOR'S REPORT

Budget Committee
Grant County E911 Account
Williamstown, Kentucky

I have audited the accompanying cash basis financial statement of Grant County E911 Account for the year ended June 30, 2014, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, 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 my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the Grant County E911 Account as of June 30, 2014, and the respective changes in cash basis financial position in accordance with the cash basis of accounting described in Note A.

Basis of Accounting

I draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinions are not modified with respect to this matter.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
September 2, 2014

**GRANT COUNTY E911 ACCOUNT
 STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014**

Cash and Cash Equivalents, Beginning of Year	\$385,854
Receipts	
Telephone Surcharges	129,524
Interest Income - Checking	187
Interest Income - CD	<u>2,514</u>
Total Receipts	132,225
Total Cash Available	518,079
Disbursements	
KSP Contract	157,260
Equipment	6,214
Communications	30,321
Generator Expenses	971
Office Supplies	<u>147</u>
Total Disbursements	194,913
Cash and Cash Equivalents, End of Year	\$323,166
Summary of Net Position	
Checking Account	\$101,838
Certificate of Deposit	<u>\$221,328</u>
Total	\$323,166

See accompanying notes

**GRANT COUNTY E911 ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Grant County E911 Account was established by Ordinance No. 07-2005-564. It is a Joint Ordinance of the County of Grant and of the Cities of Crittenden, Corinth, Dry Ridge, and Williamstown, Kentucky. An ordinance of Grant County, Kentucky and the City of Crittenden, and the City of Dry Ridge, and the City of Williamstown, and the City of Corinth, providing for the implementation of E911 services through the Kentucky State Police, and the levying of taxes pursuant to the Kentucky Revised Statutes to provide for the funding of E911 services.

A summary of the significant accounting policies applied in the accompanying financial statement follows:

Basis of Accounting

Grant County E911 Account (the Organization) maintains its books and records on the cash basis of accounting. The accompanying statement reflects only the results of cash transactions; therefore, no receivables, payables, or other accrued accounts are reflected in this statement. The basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Income Taxes

The Organization is a function of local government and is exempt from federal income taxes under the Internal Revenue Code and from Kentucky income taxes.

Grants and Contracts

The Organization operates under a contract that was set through a joint ordinance of Grant County and the Cities of Crittenden, Corinth, Dry Ridge and Williamstown, Kentucky. The contract provides for the levying of taxes pursuant to the Kentucky Revised Statutes to provide for the funding of E911 services.

Revenue Recognition

The Organization recognizes revenue when their portion of the taxes levied is submitted to them by the telephone company that collects and remits the taxes of the aforementioned county and cities.

**GRANT COUNTY E911 ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE B - CASH AND CASH EQUIVALENTS

At year end, the carrying amounts of the Organization's cash and cash equivalents was \$323,166. The checking account is maintained at the Grant County Deposit Bank. The year end carrying amount was \$101,838. The bank balance was \$141,153, with the difference being outstanding checks. The entire amount was covered by \$250,000 FDIC insurance. The certificate of deposit is maintained at the Kentucky Federal Savings and Loan Association. The year end balance was \$221,328. The entire amount of the CD is covered by \$250,000 FDIC insurance.

NOTE C - INTERLOCAL COOPERATION AGREEMENT

An interlocal cooperation agreement was entered into August 23, 2005, pursuant to the Kentucky Interlocal Cooperation Act, KRS 65.210 et seq., by and between the Kentucky State Police and the County of Grant, and the Cities of Crittenden, Corinth, Dry Ridge, and Williamstown, for the establishment of Public Safety Answering Points (PSAPS) to answer all Enhanced 911 calls originating from the counties that are parties hereto through the Enhanced 911 Emergency Service System (E-911) which is to be established.

According to the agreement, The Kentucky State Police shall hire, pay, train, supervise, and discipline all personnel necessary for the operation of the PSAP, located at the Kentucky State Police Post pursuant to the provision of Chapter 18A of the Kentucky Revised Statutes and administrative regulations promulgated pursuant thereto. All personnel so employed shall be state employees and members of the classified service and the Kentucky Employees Retirement System. All personnel cost for such employees shall be paid from the funds received for the subscriber surcharge as set forth herein, subject to the approval of the E911 Board.

OTHER INFORMATION

DENISE M. KEENE
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**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**

INDEPENDENT AUDITOR'S REPORT

Budget Committee
Grant County E911 Account
Williamstown, Kentucky

I have audited the financial statement of Grant County E911 Account (the Organization) for the year ended June 30, 2014, and have issued my report thereon dated September 2, 2014. I conducted the audit in accordance with the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization'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 assign 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.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

I noted certain matters that I reported to management of the Organization in a separate letter dated September 2, 2014.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
September 2, 2014

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Budget Committee
Grant County E911 Account
Williamstown, Kentucky

I have audited the financial statements of the Grant County E911 Account (the Organization) for the year ended June 30, 2014 and have issued my report thereon dated September 2, 2014. As part of my audit, I made a study and evaluation of the Organization's system of internal accounting control to the extent I considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of my study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Organization's financial statements. My study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Organization is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Because of inherent limitations in any system of internal accounting controls, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, I do not express an opinion on the system of internal accounting control of the Organization taken as a whole. My study and evaluation disclosed no condition that I believe to be a material weakness.

CURRENT YEAR MANAGEMENT POINTS

2014-001

All checks from the Grant County E911 Account require two signatures. The County Judge Executive is bonded through KACO Insurance Agency in his official capacity. However, the other person signing checks is not bonded. I recommend that both individuals signing the checks be bonded.

2014-002

Checks from telephone companies are received throughout the month. As they are received the Judge puts them in his desk. All of the checks for the month are generally deposited on the same day. That means that some checks are kept for several weeks before being deposited. I would recommend more frequent deposits. Deposits should be done at least weekly, or if a large amount is received.

2014-003

The Kentucky State Police does not present the Organization with a detail invoice. I recommend the Organization work with the Kentucky State Police to obtain an invoice that details the cost to the Organization.

2014-004

According to a report done monthly by Cincinnati Bell there are some companies that should be remitting the Surcharge to the Organization - but are not. I recommend the Organization send a letter to the companies on the list that are not currently remitting the surcharge, asking for monthly remittance.

2014-005

According to the Interlocal Cooperation Agreement with the Kentucky State Police, the E911 Board shall henceforth consist of the Commander of the Post 6, Kentucky State Police Post or designee, and one representative from the county and each city that is part to this agreement; said representative shall be selected by the respective County Judge Executive or Mayor (or city Commission as the case may be) for each city. The minutes of the E911 Budget Committee did not list the Commander of Post 6 as a member.

2014-006

According to the Interlocal Cooperation Agreement the E911 Board shall meet at least quarterly. During the fiscal year ended June 30, 2014, the Board only met three times. The Board should meet quarterly as required by the agreement.

2014-007

The Interlocal Cooperation Agreement was signed on August 23, 2005. The duration of the agreement was for one year. A new agreement has not been done. I recommend a new Interlocal Cooperation Agreement be entered into, since the original agreement has expired.