POLK COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

TWELVE MONTHS ENDED JUNE 30, 2008

POLK COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

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June 30, 2008

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POLK COUNTY E-911
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Ocoee, TN 37361

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CARE OF: MAEGAN BALLEW- ADMINISTRATIVE ASSISTANT

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, 2008. 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 assets and statement of revenues, expenses and changes in net assets provide information about the activities of the District as a whole and present an overview of the District's finances.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

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 assets and statement of revenues, expenses and changes in net assets 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 assets and changes in net assets. Net assets -- 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 assets are an indicator of whether its financial health is improving or deteriorating. An analysis of net assets and changes in net assets is as follows:

	2008	2007
Net Assets		
Current and other assets	$ 391,767	$ 295,162
Capital assets	177,723	136,515
Total assets	569,490	431,677
Current liabilities	(12,470)	(7,262)
Net Assets	$ 557,020	$ 424,415
Summary of net assets -		
Invested in capital assets	$ 177,723	$ 136,515
Unrestricted	379,297	287,900
Total Net Assets	$ 557,020	$ 424,415
Change in Net Asseets		
Operating revenues	$ 171,005	$ 202,946
Operating expenses	163,824	112,977
Operating income	7,181	89,969
Non-operating income	125,424	49,260
Change in Net Assets	132,605	139,229
Net Assets - beginning	424,415	285,186
Net Assets - ending	$ 557,020	$ 424,415

Analysis of Financial Position and Results of Operations

The District's net assets have increased by $132,605 over the previous year. Revenue growth was 17.53% primarily due to TECB grant & reimbursement for controller. Operating expenditures were up 45.01% due to expenses associated with relocation of the Polk County Jail and phone line repairs to the Polk County 911 District office.

The District's Net Assets

The District completed the year with net assets of $557,020 an increase of $132,605 over the previous year.

Budgetary Highlights

In order to prevent budget overruns, the final budget was amended. The significant changes were to relocation of the Benton Jail.

Capital Assets

At the end of the accounting period, The District had $400,263 in capital assets such as telecommunications and office equipment, leasehold improvements. This amount represents an increase of $81,504 or 25.57%.

Financial Activity and Plans for Future Needs

The Polk County Emergency Communications District invested in system upgrades and furniture for the transfer to the new Polk County Jail. A new roof was also installed on the Emergency Communication District office.

Next fiscal year the Emergency Communications District plans to renovate the Ducktown PSAP. Also plans upgrades to the CAD system and mapping software.

Steven Lofty
Board of Director

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT
June 30, 2008

Steve Lofty, Chairman

Bruce Wentworth, Vice Chairman

Ruth Patton, Treasurer

Theda Bramlett, Member

Wayne Loudermilk, Member

Easter Johnston, Member

Bill Smith, Member

HARTING, BISHOP & ARRENDALE, PLLC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Polk County "911" Emergency
Communications District

We have audited the accompanying financial statements of Polk County "911" Emergency Communications District (the District), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2009, 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 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* and important for assessing the results of our audit.

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The management's discussion and analysis information on pages 1 through 3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on Polk County "911" Emergency Communications District's financial statements. The budgetary comparison schedule on pages 14 and the schedule of information required by the Tennessee Emergency Communication Board on page 15 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Harting, Bishop & Arrendale PLLC

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee
February 2, 2009

FINANCIAL SECTION

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 116,695
Investments - Certificates of Deposit	259,558
Accrued Interest Receivable	557
Accounts Receivable	6,919
Due from TECB - Wireless and Operational	6,459
Prepaid Expenses	1,579
Total Current Assets	391,767
Capital Assets	
Communication Equipment	358,991
Furniture and Fixtures	17,160
Office Equipment	8,248
Leasehold Improvements	15,864
	400,263
Less Accumulated Depreciation	(222,540)
Capital Assets, net	177,723
Total Assets	$ 569,490
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 12,470
Total Liabilities	12,470
Net Assets	
Invested in Capital Assets	177,723
Unrestricted Net Assets	379,297
Total Net Assets	557,020
Total Liabilities and Net Assets	$ 569,490

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 ASSETS
For the Year Ended June 30, 2008

OPERATING REVENUES		
Emergency Telephone Service Charge	$	67,740
TECB - Shared Wireless Charge		31,458
TECB - Operational Funding		71,807
Total operating revenues		171,005
OPERATING EXPENSES		
Contracted Services		4,960
Addressing/Mapping Expenses		30,371
Advertising		295
Audit Services		1,500
Data Processing Service		25,949
Facility Relocation Expenses		26,136
Legal Services		3,600
Mapping/Data Base Consultants		8,670
Lease/Rental - Buildings Facilities		935
Maintenance and Repairs - Communication Equipment		1,687
Maintenance and Repairs - Buildings Facilities		1,313
Office Supplies		585
Postage		68
Utilities - Electric		2,508
Utilities - Gas		221
Utilities - Water and Sewer		168
Utilities - General Telephone		2,396
Other Office Supplies/Materials		200
Board Meeting Expenses		518
Insurance Buildings and Content		1,856
Licences and Fees		256
Premiums On Surety Bonds		626
Training Expenses		2,789
Travel Expenses		4,550
Internet Charges		1,370
Depreciation Expense		40,297
Total operating expenses		163,824
Operating Income		7,181

(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 ASSETS
For the Year Ended June 30, 2008

NON-OPERATING REVENUE	
Interest Income - Checking	$ 721
Investment Income - Certificate of Deposit	7,865
TECB Grant & Reimbursements	116,838
Net non-operating revenue	125,424
NET INCOME	132,605
Net assets, beginning	424,415
Net assets, ending	$ 557,020

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, 2008

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	175,797
Cash payments to suppliers for goods and services		(118,650)
Net cash provided by operating activities		57,147
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tennessee ECB & Homeland Security grants		163,184
Net cash provided by noncapital financing activities		163,184
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of equipment		(81,504)
Net cash used by capital and related financing activities		(81,504)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in Certificates of Deposits		(132,653)
Interest income		8,375
Net cash used by investing activities		(124,278)
Net increase in cash and cash equivalents		14,549
Cash and cash equivalents, beginning of year		102,146
Cash and cash equivalents, end of year	$	116,695
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating		
Operating income (loss)	$	7,181
Adjustments to reconcile net income (loss) to net cash provided by (used by) operating		
Depreciation expense		40,297
Change in assets and liabilities:		
Decrease in accounts receivables		4,792
Increase in prepaid expenses		(330)
Increase in accounts payable		5,207
Net cash provided by operating activities	$	57,147

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

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

As a government agency, the District is subject to standards prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of Polk County "911" Emergency Communications District are prepared on 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. The District applies Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless they conflict with or contradict GASB Guidance.

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.

Fixed Assets

Expenditures for fixed assets are recorded at historical cost. Fixed assets are depreciated using the straight-line method. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Communication equipment	5-10
Furniture and fixtures	5-10
Office equipment	5-10
Leasehold improvements	15

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 is required by state statute to adopt annual budgets. As such, the District employs a formal budget integration as a management control device during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Then, the budget is legally enacted through passage of an ordinance. Expenditures may not legally exceed appropriations and any revisions authorized by the board. Appropriations lapse at the end of each fiscal year.

NOTE 3 - Cash on Deposit

The treasurer of the District is responsible for receiving, disbursing, depositing and investing the District's funds. Various restrictions on deposits and investments, including repurchase agreements, are imposed by state statutes. 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, 2008 there were deposits that were unsecured. As of the date of the report the FDIC limits had been increased and all deposits were secured. A schedule of cash and investments classified by category of credit risk at June 30, 2008 is as follows

	Carrying Amount	Bank Balance
Cash, insured by Federal Depository Insurance (FDIC)	$ 100,000	$ 100,000
Cash, unsecured as of 06/30/08	16,695	33,159
Certificates of Deposit, insured by FDIC	100,000	100,000
Certificates of Deposit, Secured by Pledged Collateral	159,558	159,558
Total	$ 376,253	$ 392,717

NOTE 4 - Accounts Receivable

The account receivable balance represents amounts due from the telephone companies' subscriber service charges at June 30, 2008.

NOTE 5 - Fixed Assets

The following is a schedule of changes to fixed assets:

	June 30, 2007	Additions	Retirements	June 30, 2008	Accumulated Depreciation June 30, 2008
Communications equipment	$ 318,759	$ 40,232	$ -	$ 358,991	$ 220,769
Furniture and Fixtures	-	17,160	-	17,160	440
Office Equipment	-	8,248	-	8,248	884
Leasehold Improvements	-	15,864	-	15,864	447
Total	$ 318,759	$ 81,504	$ -	$ 400,263	$ 222,540

Provision for depreciation totaled $40,297 for the year ended June 30, 2008.

NOTE 6 - Risk Management - Claims and Insurance

Significant losses are covered by commercial insurance for property, liability, and employee dishonesty. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current or the three prior years.

NOTE 7 - Lease Commitments

The District has a Special Use Permit with the U.S. Department of Agriculture, Forest Service, for the building and land in which the District office is located. The Special Use Permit authorizes the District to use the building and land at no cost as long as the District maintains the building in compliance with the Operation and Maintenance Plan. The Special Use Permit expires on 12-31-09 and a new permit can be obtained at the discretion of the U.S. Department of Agriculture.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
OPERATING REVENUES				
Emergency Telephone Service Charge	$ 79,700	$ 79,700	$ 67,740	$ (11,960)
TECB - Shared Wireless Charge	25,000	25,000	31,458	6,458
TECB - Operational Funding	-	-	71,807	71,807
Total operating revenues	104,700	104,700	171,005	66,305
OPERATING EXPENSES				
Contracted Services	10,720	10,720	4,960	5,760
Addressing/Mapping Expenses	33,000	33,000	30,371	2,629
Advertising	500	500	295	205
Audit Services	1,500	1,500	1,500	-
Data Processing Service	26,000	26,000	25,949	51
Facility Relocation Expenses	-	35,000	26,136	8,864
Legal Services	3,000	3,000	3,600	(600)
Mapping/Data Base Consultant	10,800	10,800	8,670	2,130
Lease/Rental - Buildings Facilities	672	672	935	(263)
Maintenance and Repairs - Communication Equipment	3,000	3,000	1,687	1,313
Maintenance and Repairs - Buildings Facilities	15,000	15,000	1,313	13,687
Office Supplies	600	600	585	15
Postage	58	58	68	(10)
Small Equipment Purchases	700	700	-	700
Utilities - Electric	2,500	2,500	2,508	(8)
Utilities - Gas	-	-	221	(221)
Utilities - Water and Sewer	220	220	168	52
Utilities - General Telephone	2,700	2,700	2,396	304
Other Office Supplies/Materials	750	750	200	550
Board Meeting Expenses	500	500	518	(18)
Insurance Buildings and Content	2,200	2,200	1,856	344
Licences and Fees	450	450	256	194
Premiums On Surety Bonds	450	450	626	(176)
Training Expenses	2,500	2,500	2,789	(289)
Travel Expenses	3,000	3,000	4,550	(1,550)
Internet Charges	1,500	1,500	1,370	130
Depreciation Expense	33,000	33,000	40,297	(7,297)
Total operating expenses	155,320	190,320	163,824	26,496
Operating Income (Loss)	(50,620)	(85,620)	7,181	92,801
NON-OPERATING REVENUE				
Interest Income - Checking	800	800	721	(79)
Interest Income - Certificate of Deposit	-	-	7,865	7,865
TECB Grant & Reimbursements	10,000	10,000	116,838	106,838
Net non-operating revenue	10,800	10,800	125,424	114,624
NET INCOME (LOSS)	$ (39,820)	$ (74,820)	$ 132,605	$ 207,425

REQUIRED SUPPLEMENTARY INFORMATION

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF REQUIRED INFORMATION
June 30, 2008

1. Number of public safety answering points (PSAP)

   Two

2. Addresses of PSAP's

   Benton – 164 Industrial Access, Benton, TN 37307

   Ducktown – 398 Main Street, Ducktown, TN 37326

3. The type of system/equipment and database used by the PSAP

   Type – Positron 911/Interact Cad System/Motorola Radio
   Database – SCC/Bell South

4. Director of the Emergency Communications District

   None

5. Chairman of the Emergency Communications District

   Steven Lofty
   P.O. Box 126
   Benton, TN 37307
   423-618-0855

INTERNAL CONTROL
AND COMPLIANCE SECTION

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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*

Board of Directors
Polk County "911" Emergency
Communications District

We have audited the financial statements of Polk County "911" Emergency Communications District, as of and for the year ended June 30, 2008, and have issued our report thereon dated February 2, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Polk County "911" Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures 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 Polk County "911" Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there

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is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 2008-1 and 2008-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County "911" Emergency Communications District's financial statements are free of 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 questioned costs as items: 2008-3, 2008-4, and 2008-5.

We noted certain matters that we reported to management of Polk County "911" Emergency Communications District, in a separate letter dated February 2, 2009.

Polk County "911" Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Polk County "911" Emergency Communications District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Harting, Bishop & Arrendale PLLC

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee
February 2, 2009

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2008

The findings and recommendations as a result of the audit of the Polk County "911" Emergency Communications District are presented below. Finding 2008-3 is repeated from the prior year ended June 30, 2007.

2008-1: Segregation of Duties

Condition and Criteria: Staff job functions should be segregated so that errors and fraud will be detected by employees in the normal course of their work, in a timely manner. The relatively small size of Polk County "911" Emergency Communications District administrative staff prevents this proper segregation of duties. Segregation of duties should be in place that allows errors and fraud to be detected by employees in the normal course of their work.

Effect: Lack of segregation of duties prevents errors and fraud to be detected by employees in the normal course of their work.

Cause: This occurred due to the small size of the District.

Recommendation: Segregation of duties should be implemented as staff size increases.

Management Response: We agree with the auditor's findings and recommendations.

2008-2: Check Signing

Condition and Criteria: There was one check with only one signature on the check. Checks should be signed by two board members. This was an isolated instance.

Effect: Only one signature on check could result in fraudulent purchases made with the District funds.

Cause: Procedures for check writing not followed.

Recommendation: All checks should be signed by two board members.

Management Response: We agree with the auditor's findings and recommendations. This was an isolated instance of one check of many tested.

2008-3: 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's accounting system did not provide timely financial and budget reports.

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

Management Response: We agree with the auditor's findings and recommendations and have implemented a new accounting system and budget procedures to ensure expenditures are budgeted and budgets are properly amended.

2008-4: Bank Account Collateral

Condition and Criteria: Bank accounts should be held at banks that are participants in the Tennessee Collateral Bond Pool and if they are not the amounts over FDIC should be collateralized with the bank to ensure the funds of the District.

Effect: These results in funds not secured at year end.

Cause: This occurred due to placing funds in a bank that is not a participant in the Tennessee Collateral Bond Pool

Recommendation: We recommend moving funds to a bank that is a participant in the Tennessee Collateral Bond Pool or that pledges collateral to the District for amounts on deposit in excess of the FDIC limits.

Management Response: We agree with the auditor's findings and recommendations and have transferred funds to ensure all funds are protected.

2008-5: Surety Bond

Condition and Criteria: There are seven Surety Bonds in place, $10,000 for each board member. There should be one Surety Bond that covers all required individuals. The minimum amount of the Surety Bond shall be determined from the amount of revenues handled by the respective emergency communications district during the last audit approved by the comptroller of the treasury. Polk County "911" Emergency Communications District should have a bond minimum of $30,000.

Effect: The separate bonds do not cover the require percentage of revenue.

Cause: This occurred due to misunderstanding of the requirement.

Recommendation: One Surety Bond should be obtained that covers all required individuals for 10% of revenues of the last approved audit.

Management Response: We agree with the auditor's findings and recommendations and have obtained a new surety bond in the proper amount per state regulations.

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TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

February 2, 2009

Board of Directors
Polk County "911" Emergency
Communications District

Re: Audit Findings

Dear Board of Directors:

Having completed the audit of the financial statements of Polk County "911" Emergency Communications District as of and for the year ended June 30, 2008, we would like to address matters that came to our attention that were not included in the 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*.

Bank Statements: During the audit, it was noted that imaged checks on bank statements did not include the back of the check. It is important for management to routinely review check endorsements to guard against fraudulent activity. We recommend that both sides of cancelled checks be imaged by the bank for your records. As the end of fieldwork, the financial institution has been contacted to receive the back of the checks.

Deposits: During the course of our audit, it was noted that the deposits were not being detailed in QuickBooks and on the bank deposit slip. We recommend that the name of the remitter be listed on the deposit slips and QuickBooks. Deposits should be made routinely but no less than weekly. As of the end of fieldwork, the bookkeeper has begun to list the name of the remitter and is making timely deposits.

Fixed Asset Capitalization: Currently the Polk County "911" Emergency Communications District does not have a capitalization threshold established. A capitalization threshold is an amount established by the Board, whereby any fixed assets purchased at this amount or above are capitalized on the books of Polk County "911" Emergency Communications District. Any purchases below the threshold are expensed. We recommend that a capitalization threshold of a minimum of $1,000 be established.

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Invoices: During the course of the audit, it was noted that there is no consistent and organized filing system for invoices. Also it was noted that invoices were not being properly canceled to indicate date of payment. This resulted in isolated instances of invoices not being paid timely and for the incorrect amounts. We recommend that a consistent and organized filing system be established, to allow for timely and proper payment of invoices. As of the end of fieldwork, the bookkeeper has implemented a proper filing system and canceling of invoices.

General Ledger Mispostings: During the audit amounts were noted that were posted to the wrong general ledger accounts. These related specifically to certificates of deposit, interest income, facility relocation expenses, mapping/data base consultants, training expenses and capital purchases. These incorrect postings result in reports the Board of Directors receiving inaccurate financial reports in which they base their decisions. We recommend that disbursements and the addition of certificates of deposits be posted to the correct general ledger accounts. The bookkeeper has been instructed on the proper posting of disbursements.

If there are any questions about the matters noted above or other findings noted in the financial statements, please do not hesitate to contact us.

Sincerely,

Harting Bishop & Arrendale PLLC

Harting, Bishop, & Arrendale, PLLC
Certified Public Accountants