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COUNTY AUDIT

RHEA COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

Financial Statements

June 30, 2008 and 2007

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ARNETT, KIRKSEY, KIMSEY, SULLIVAN & LAY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WEDGEWOOD OFFICE PARK
4395 N. OCOEE STREET
CLEVELAND, TENNESSEE 37312

TELEPHONE: (423) 476-5581
FACSIMILE: (423) 472-9893
EMAIL: cpa@akksll.com

RONALD E. ARNETT, CPA, CVA
WILLIAM B. KIRKSEY, CPA
BUDDY E. KIMSEY, CPA
VICKI PIERCE SULLIVAN, CPA
MARK A. LAY, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
NATIONAL ASSOCIATION OF CERTIFIED VALUATION ANALYSTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Rhea County "911" Emergency Communications District, a component unit of Rhea County, as of June 30, 2008 and June 30, 2007 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Rhea County "911" Emergency Communications District Board. 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 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rhea County "911" Emergency Communications District, as of June 30, 2008 and June 30, 2007, and the results of its operations and cash flows 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 December 19, 2008 on our consideration of Rhea County "911" Emergency Communications District internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. 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 their internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 2 and 3 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires 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 performed for the purpose of forming an opinion on the financial statements. The information on pages 12-15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Rhea County "911" Emergency Communications District. 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.

Arnett, Kirksey, Kimsey, Sullivan & Lay

ARNETT, KIRKSEY, KIMSEY, SULLIVAN & LAY, PLLC
Certified Public Accountants

December 19, 2008

Management's Discussion and Analysis

June 30, 2008

The Board of Rhea County "911" Emergency Communications District (the "Board") has implemented Governmental Auditing Standards Board ("GASB") Statement No. 34, Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments, for the years ending June 30, 2008 and 2007.

Financial Highlights

* Cash and cash equivalents increased $376,088 from June 30, 2007 to June 30, 2008 due primarily to the cashing out of a Certificate of Deposit in March 2008.
* Operating revenues decreased 1% from 2007 to 2008. This consistency is a result of the same sources of revenue remaining at stable billing rates.
* Operating expenses for 2008 are 5.5% less than 2007. This is due to primarily to the dispatchers no longer being paid by the Rhea County 911 Emergency Communications District.

Overview of the Financial Statements

The GASB issued Statement No. 34 in June 1999. The objective of this statement was to set standards for the financial statements issued by all state and local government entities in the United States. By setting these standards, the Statement would enhance the understandability and usefulness of the external financial reports of state and local governments to the citizenry, legislative and oversight bodies, investors and creditors. The presentation in the statements this year include the following statements and reports and are designed to meet the requirements of GASB 34.

Management Discussion and Analysis

The purpose of MD&A is to provide an objective and easily readable analysis of the Board's financial activities based on currently known facts, decisions or conditions.

Balance Sheet

Assets and liabilities are presented with a distinction made between current and long-term assets and liabilities.

Statements of Revenues, Expenses and Changes in Net Assets

The statement provides the operating results of the Board, presented by various categories of operating and non-operating revenue and expenses.

Statement of Cash Flows

Using the direct method, sources and uses of cash from operating, financing and investing activities are shown.

Notes to the Financial Statements

The footnotes are provided to explain the information in the financial statements and provide more detailed data.

Overview of the Financial Statements (continued)

Financial Analysis

	2008	2007
Current assets	$ 792,128	$ 621,489
Capital assets	364,972	366,254
Intangible assets	0	1,215
Total assets	1,157,100	988,958
Current/total liabilties	1,487	5,346
Invested in capital assets	364,972	367,469
Unrestricted	790,640	616,143
Total fund equity	1,155,612	983,612
Operating revenues	420,344	423,854
Operating expenses	320,257	338,918
Net operating income	100,087	84,936
Interest income	13,848	12,879

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Balance Sheets

June 30, 2008 and 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 676,298	$ 300,210
Investments	82,556	287,075
Accounts receivable	19,068	19,991
Prepaid expenses	14,206	14,213
Total Current Assets	$ 792,128	$ 621,489
CAPITAL ASSETS		
Building and improvements	$ 245,244	$ 248,052
Furniture and fixtures	79,763	18,642
Office equipment	3,909	14,440
Communications equipment	439,582	457,903
Vehicles	45,910	64,930
Less accumulated depreciation	(449,436)	(437,713)
Net Fixed Assets	$ 364,972	$ 366,254
INTANGIBLE ASSETS		
Database development	$ 31,246	$ 31,246
Installation cost	36,036	36,036
Site preparation	4,904	4,904
Less accumulated amortization	(72,186)	(70,971)
Net Intangible Assets	$ 0	$ 1,215
TOTAL ASSETS	$ 1,157,100	$ 988,958
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Compensated absences payable	$ 1,487	$ 5,346
Total Liabilities	$ 1,487	$ 5,346
NET ASSETS		
Invested in capital assets	$ 364,972	$ 367,469
Unrestricted	790,640	616,143
Total fund equity	$ 1,155,612	$ 983,612
TOTAL LIABILITIES AND NET ASSETS	$ 1,157,099	$ 988,958

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

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Statements of Income, Expenses and Changes in Fund Equity
For the Years Ended June 30, 2008 and 2007

	2008	2007
OPERATING REVENUES		
Emergency telephone service charge	$ 269,581	$ 279,032
TN Emergency Communications Board - shared wireless charge	64,594	58,653
TN Emergency Communications Board - operational funding	86,169	86,169
Total Revenues	$ 420,344	$ 423,854
OPERATING EXPENSES		
Director salary	$ 39,757	$ 43,266
Assistant director	32,384	27,755
Dispatchers	1,233	30,000
Social security	4,708	4,107
Medicare	1,101	960
Life insurance	96	92
Medical insurance	12,619	11,515
Retirement contributions	6,403	5,947
Address/mapping expenses	2,010	0
Audit services	0	3,500
Accounting services	800	800
Janitorial services	135	0
Legal services	7,000	6,600
Maintenance agreements	29,866	17,648
NCIC/TBI/TIES expenses	6,920	6,920
Consulting	12,150	9,403
Lease/rental - office equipment	1,664	2,471
Maintenance and repair - communications equipment	374	4,280
Maintenance and repair - buildings and facilities	0	269
Maintenance and repair - office equipment	639	70
Maintenance and repair - vehicles	3,806	3,100
Office supplies	739	635
Postage	177	120
Small equipment purchases	3,269	2,938
Uniforms and shirts	973	992
Utilities - electric	7,278	6,432
Utilities - natural gas	336	362
Utilities - water/sewer	495	420
Utilities - general telephone	28,552	29,491
Utilities - cell phones and pagers	512	860
Other supplies and materials	0	13,596
Bank charges	30	0
Board meeting expenses	961	904
Dues and memberships	241	241
Insurance - liability	350	350
Insurance - buildings and contents	5,273	5,273
Insurance - vehicles	1,100	1,100
Legal notices	219	374
Premiums on surety bonds	300	300
Service awards	26	0
Training expenses	11,357	2,000

(Continued)

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

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Statement of Income, Expenses and Changes in Fund Equity (Continued)
For the Years Ended June 30, 2008 and 2007

OPERATING EXPENSES - (Continued)	2008	2007
Travel expenses	$ 0	$ 8,147
Internet charges	1,841	1,657
Other charges	350	248
Depreciation expense	90,998	81,692
Amortization expense	1,215	2,083
Total Operating Expenses	$ 320,257	$ 338,918
Operating Income	$ 100,087	$ 84,936
OTHER INCOME		
Interest income	$ 13,848	$ 12,879
TN Emergency Communications Board - grants and reimbursements	63,264	103,020
Gain on disposal of property	1,601	0
Miscellaneous income	362	115
Loss on disposal of property	(7,162)	0
Total Other Income	$ 71,913	$ 116,014
NET INCOME	$ 172,000	$ 200,950
BEGINNING FUND EQUITY	983,612	782,662
ENDING FUND EQUITY	$ 1,155,612	$ 983,612

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

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Statements of Cash Flow

For the Years Ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Receipts from line fees	$ 421,267	$ 425,030
Payments to suppliers for goods and services	(129,735)	(141,461)
Payments to employees for services	(102,161)	(118,917)
Net cash provided by operating activities	$ 189,371	$ 164,652
Cash flows from noncapital financing activities:		
Miscellaneous income	$ 362	$ 115
Grants and state reimbursements	63,264	103,020
Net cash provided by noncapital financing activities	$ 63,626	$ 103,135
Cash flows from capital and related financing activities:		
Loss on disposal of property	$ 1,601	$ 0
Purchase of assets	(96,877)	(130,038)
Net cash used in capital and related financing activities	$ (95,276)	$ (130,038)
Cash flows from investing activities:		
Interest received	$ 13,848	$ 12,879
Decrease (increase) of investments	204,519	(232,361)
Net cash provided by (used in) investing activities	$ 218,367	$ (219,482)
Net increase (decrease) in cash and cash equivalents	$ 376,088	$ (81,733)
Cash and cash equivalents, beginning of year	300,210	381,943
Cash and cash equivalents, end of year	$ 676,298	$ 300,210
Reconciliation of operating revenues to net cash provided by operating activities:		
Net operating income	$ 100,087	$ 84,936
Adjustments to reconcile new operating revenues to net cash provided by operating activities:		
Depreciation and amortization	92,213	83,775
Changes on operating assets and liabilities:		
Accounts receivable	923	1,176
Prepaid expenses	7	(9,960)
Compensated absences payable	(3,859)	4,725
Net cash provided by operating activities	$ 189,371	$ 164,652

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Rhea County "911" Emergency Communications District was established on September 13, 1990 for the purpose of providing an enhanced level of 911 service for Rhea County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. The District is a component unit of Rhea County which provides employees and operation facilities in exchange for impact payments and appoints all board members. The County has financial responsibility through the approval of the District's budget and the ability to modify fee rates.

Basis of Accounting

The Rhea County "911" Emergency Communications District is an agency of Rhea County, Tennessee. As such, the district is subject to standards prescribed by the Governmental Accounting Standards Board (GASB) which require that the accrual method of accounting be used for governmental units which recover cost of providing goods or services and are operating in a manner similar to private business enterprises. For this reason the accrual method of accounting is utilized by the District. As a proprietary fund the District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Fixed Assets

Expenditures for fixed assets are recorded at historical cost. Depreciation is being computed for furniture and equipment using the 200% double declining balance method. Building and fencing are depreciated using the straight-line method. The depreciation periods are as follows:

Furniture and equipment	5-7 years
Building	10-40 years
Fence	15 years
Vehicles	5 years

Intangible Assets

Amortization of the cost of intangible assets commenced on completion of each project and when they were integrated into the operational Enhanced "911" equipment. The amortization period for the intangible asset cost is over the term of years as follows:

Description	Cost	Period
Database Development	$ 31,246	15 years
Installation Cost	36,036	5 years
Site Preparation	4,904	10 years

Investments

Investments are stated at cost which approximates market. State statutes authorize the district to invest in obligations of the U.S. treasury, commercial paper, corporate bonds, repurchase agreements, and pooled investment funds.

Note 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three months or less, primarily with local financial institutions. At year end, all deposits were covered by federal depository insurance.

Note 3 - DEPOSITS AND INVESTMENTS

The District's investments include:

	Carrying Amount	Market Value
Community National Bank Growth Fund	$ 22,362	$ 22,362
Local Government Investment Pool	60,194	60,194
Total Investments	$ 82,556	$ 82,556

At year end, all deposits of the Rhea County 911 Emergency Communications District were covered by federal depository insurance of by collateral held by the State of Tennessee Collateral Pool for Public Deposits.

Investments in the State of Tennessee Local Government Investment Pool are valued based upon the value of pool shares. The responsibility for conducting the State's investment program resides with the State Treasurer pursuant to Tennessee Code Annotated, Section 9-4-602 and shall be exercised in accordance with the investment policy and resolutions of the State Funding Board.

Interest rate risk - In accordance with its investment policy, the Rhea County 911 Emergency Communications District manages its exposure to declines in market values by limiting the amount invested in long-term investments and bidding the amount of interest earned on savings accounts with area banks.

Credit risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs).

Note 4 - CAPITAL AND INTANGIBLE ASSETS

The following is a schedule of Changes to Capital and Intangible Assets for the year ending 6/30/2007:

Capital and intangible assets, being depreciated:	Beginning Balance	Additions	Retirements	Ending Balance
Buildings & improvements	$ 188,944	$ 59,108	$ 0	$ 248,052
Furniture and fixtures	18,642	0	0	18,642
Office equipment	14,440	0	0	14,440
Communications equipment	411,621	46,282	0	457,903
Vehicles	40,282	24,648	0	64,930
Data base development	31,246	0	0	31,246
Installation cost	36,036	0	0	36,036
Site preparation	4,904	0	0	4,904
Total capital and intangible assets being depreciated	$ 746,115	$ 130,038	$ 0	$ 876,153

Note 4 - CAPITAL AND INTANGIBLE ASSETS - (Continued)

	Beginning Balance	Additions	Retirements	Ending Balance
Less accumulated depreciation for				
Buildings & improvements	$ (28,802)	$ (9,296)	$ 0	$ (38,098)
Furniture and fixtures	(14,112)	(1,856)	0	(15,968)
Office equipment	(11,791)	(1,320)	0	(13,111)
Communications equipment	(267,540)	(65,385)	0	(332,925)
Vehicles	(33,776)	(3,835)	0	(37,611)
Data base development	(27,948)	(2,083)	0	(30,031)
Installation cost	(36,036)	0	0	(36,036)
Site preparation	(4,904)	0	0	(4,904)
Total accumulated depreciation	$ (424,909)	$ (83,775)	$ 0	$ (508,684)
Total capital and intangible assets being depreciated	$ 321,206	$ 46,263	$ 0	$ 367,469

The following is a schedule of Changes to Capital and Intangible Assets for the year ending 6/30/2008:

Capital and intangible assets, being depreciated:	Beginning Balance	Additions	Retirements	Ending Balance
Buildings & improvements	$ 248,052	$ 958	$ (3,766)	$ 245,244
Furniture and fixtures	18,642	77,429	(16,308)	79,763
Office equipment	14,440	3,890	(14,421)	3,909
Communications equipment	457,903	14,600	(32,921)	439,582
Vehicles	64,930	0	(19,020)	45,910
Data base development	31,246	0	0	31,246
Installation cost	36,036	0	0	36,036
Site preparation	4,904	0	0	4,904
Total capital and intangible assets being depreciated	$ 876,153	$ 96,877	$ (86,436)	$ 886,594
Less accumulated depreciation for				
Buildings & improvements	$ (38,098)	$ (9,020)	$ 2,166	$ (44,952)
Furniture and fixtures	(15,968)	(11,509)	14,222	(13,255)
Office equipment	(13,111)	(1,007)	13,543	(575)
Communications equipment	(332,925)	(57,694)	30,324	(360,295)
Vehicles	(37,611)	(11,768)	19,020	(30,359)
Data base development	(30,031)	(1,215)	0	(31,246)
Installation cost	(36,036)	0	0	(36,036)
Site preparation	(4,904)	0	0	(4,904)
Total accumulated depreciation	$ (508,684)	$ (92,213)	$ 79,275	$ (521,622)
Total capital and intangible assets being depreciated	$ 367,469	$ 4,664	$ (7,161)	$ 364,972

Note 5 - COMMERCIAL INSURANCE

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, employee health and accident, and environmental. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 6 - USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Note 7 - COMPENSATED ABSENCES

The director and assistant director of Emergency Communications District are entitled to paid vacation depending on length of service and other factors. In the event of termination, the director will be paid for accumulated vacation leave. Total earned but unused vacation pay at June 30, 2008 is $1,487.

Note 8 - RECLASSIFICATIONS

For comparability purposes, certain prior year accounts have been reclassified.

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Income and Expenses Compared to Budget

For the Year Ended June 30, 2008

	Actual	Budget	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Emergency telephone service charge	$ 269,581	$ 268,500	$ 1,081
TN Emergency Communications Board - shared wireless charge	64,594	65,000	(406)
TN Emergency Communications Board - operational funding	86,169	86,169	0
Total Revenues	$ 420,344	$ 419,669	$ 675
OPERATING EXPENSES			
Director salary	$ 39,757	$ 40,000	$ 243
Assistant director	32,384	35,999	3,615
Dispatchers	1,233	1,233	0
Social security	4,708	4,708	0
Medicare	1,101	1,015	(86)
Life insurance	96	96	0
Medical insurance	12,619	12,619	0
Retirement contributions	6,403	6,403	0
Address/mapping expenses	2,010	2,010	0
Audit services	0	3,600	3,600
Accounting services	800	800	0
Janitorial services	135	0	(135)
Legal services	7,000	7,000	0
Maintenance agreements	29,866	35,500	5,634
NCIC/TBI/TIES expenses	6,920	6,920	0
Consulting	12,150	12,150	0
Lease/rental - office equipment	1,664	2,500	836
Maintenance and repair - communications equipment	374	5,000	4,626
Maintenance and repair - buildings and facilities	0	1,000	1,000
Maintenance and repair - office equipment	639	1,000	361
Maintenance and repair - vehicles	3,806	3,806	0
Office supplies	739	1,200	461
Postage	177	177	0
Small equipment purchases	3,269	3,269	0
Uniforms and shirts	973	1,000	27
Utilities - electric	7,278	7,278	0
Utilities - natural gas	336	300	(36)
Utilities - water/sewer	495	365	(130)
Utilities - general telephone	28,552	29,000	448
Utilities - cell phones and pagers	512	600	88
Other supplies and materials	0	0	0
Bank charges	30	80	50
Board meeting expenses	961	1,550	589
Dues and memberships	241	300	59
Insurance - liability	350	350	0
Insurance - buildings and contents	5,273	5,300	27
Insurance - vehicles	1,100	1,200	100
Legal notices	219	500	281
Premiums on surety bonds	300	400	100
Service awards	26	100	74
Training expenses	11,357	12,000	643

(Continued)

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Income and Expenses Compared to Budget

For the Year Ended June 30, 2008

	Actual	Budget	Variance Favorable (Unfavorable)
OPERATING EXPENSES - (Continued)			
Travel expenses	$ 0	$ 1,800	$ 1,800
Internet charges	1,841	2,000	159
Other charges	350	350	0
Depreciation expense	90,998	81,000	(9,998)
Amortization expense	1,215	0	(1,215)
Total Operating Expenses	$ 320,257	$ 333,478	$ 13,221
Operating Income	$ 100,087	$ 86,191	$ 13,896
OTHER INCOME			
Interest income	$ 13,848	$ 13,650	$ 198
TN Emergency Communications Board - grants and reimbursements	63,264	97,514	(34,250)
Gain on disposal of property	1,601	1,601	0
Miscellaneous income	362	100	262
Loss on disposal of property	(7,162)	0	(7,162)
Total Other Income	$ 71,913	$ 112,865	$ (40,952)
NET INCOME	$ 172,000	$ 199,056	$ (27,056)

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Public Safety Answering Points
For the Years Ended June 30, 2008 and 2007

Rhea County 9-1-1 Center
Emergency Communications District
8860 Back Valley Road
Evensville, TN 37332

Chairman: Earl "Bo" Kaylor
227 South Oine Street
Dayton, TN 37321

Director: Shane Clark
P.O. Box 85
Evensville, TN 37332

System: Positron

Database: Controlled by AT&T

# of PSAP's: 5

Telephone: 423-775-6078

Fax: 423-775-5042

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Grant Activity
For the Years Ended June 30, 2008 and 2007

State Grant Number	Program	Grant	Amount
Z-04-020011-03	State of Tennessee, Department of Commerce and Insurance	Rural Dispatcher Grant	$ 1,233
Z-03-016953	State of Tennessee, Department of Commerce and Insurance	GIS Maintenance Grant	4,575
	State of Tennessee, Department of Commerce and Insurance	GIS Computer Grant	11,174
	State of Tennessee, Department of Commerce and Insurance	Battery Backup Grant	28,389
	State of Tennessee, Department of Commerce and Insurance	Recording System Grant	17,893
Total			$ 63,264

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CLEVELAND, TENNESSEE 37312

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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
Rhea County 911 Emergency Communications District
Evensville, Tennessee

We have audited the financial statements of Rhea County 911 Emergency Communications District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. 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 Rhea 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 Rhea County 911 Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rhea County 911 Emergency Communications 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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Rhea County 911 Emergency Communications District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Rhea County 911 Emergency Communications District's financial statements that is more than inconsequential will not be prevented or detected by the Rhea County 911 Emergency Communications District's internal control. We consider the deficiency, 2008-1, described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

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 Rhea County 911 Emergency Communications 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 the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rhea 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 an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2008-2.

The Rhea 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 the Rhea County 911 Emergency Communications District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and the use of the Board of Directors and management of Rhea County 911 Emergency Communications District and the Department of Audit of the State of Tennessee Division of County Audit and is not intended to be and should not be used by anyone other than these specified parties.

Arnett, Kirksey, Kimsey, Sullivan & Lay

ARNETT, KIRKSEY, KIMSEY, SULLIVAN & LAY, PLLC
Certified Public Accountants

December 19, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Rhea County 911 Emergency Communications District.

2. One significant deficiency was disclosed during the audit of the financial statements.

3. One instance of noncompliance was identified during the audit of the financial statements.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY 2008-1

FINDING: Bank Reconciliations
The Director does not sign off on bank reconciliations prepared by the Treasurer.

RECOMMENDATION:
Although the Board reviews results of operations at Board meetings, the Director should take a more active role in monitoring the Treasurer's work.

MANAGEMENT COMMENTS:
The Director will now sign off on the bank reconciliations.

NONCOMPLIANCE 2008-2

FINDING: Budget Violations
The budgetary financial statement reflected several amounts that exceeded the adopted budget. This was a violation of Tennessee Code Annotated, Section 7-86-120. All expenses should be at or below budgetary amounts for that fiscal year.

RECOMMENDATION:
Management should either review the budget more frequently or monitor individual accounts more closely.

MANAGEMENT COMMENTS:
Steps will be taken to ensure that all expense amounts are within the fiscal year adopted budget amounts. Management states that they will continue to review the budget at all Board meetings to help insure the budget stays within actual revenues and expenses.

C. SUMMARY OF PRIOR AUDIT FINDINGS

1. The budgetary financial statement reflected several amounts that exceeded the adopted budget, reported again this year as NONCOMPLIANCE 2008-2.