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COUNTY AUDIT

SEQUATCHIE COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT

AUDITED FINANCIAL STATEMENTS

YEAR ENDED
JUNE 30, 2008

SEQUATCHIE COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
CHAIRMAN INFORMATION
JUNE 30, 2008

Name	Dan Ewton
Address	P. O. Box 98 Dunlap, TN 37327
Phone Number:	1-423-949-3100
Fax Number:	1-423-949-5808

SEQUATCHIE COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
OFFICERS AND DIRECTORS

JUNE 30, 2008

Chairman, Director	Dan Ewton
Vice Chairman, Director	Helen Cooper
Secretary	Mary R. Dunleavy
Treasurer	Wayne Reynolds
Board Member	Gene Barker
Board Member	Joyce Dotson
Board Member	Clint Huth
Board Member	Randall Lockhart
Board Member	Will Zimmerman

SEQUATCHIE COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
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GEORGE C. JACKSON

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sequatchie County E-911
Dunlap, TN

I have audited the accompanying financial statements of Sequatchie County E-911 Emergency Communications District, a component unit of Sequatchie County, Tennessee, as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of Sequatchie County E-911 Emergency Communications District's management. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of Sequatchie County E-911 as of June 30, 2007, were audited by other auditors whose report dated February 14, 2008 expressed an unqualified opinion on those statements. Certain reclassifications have been made to the June 30, 2007 numbers to conform with the June 30, 2008 presentation.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly in all material respects, the financial position of Sequatchie County E-911 Emergency Communications District as of June 30, 2008, 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*, I have also issued a report dated June 26, 2009 on my consideration of the Sequatchie County E-911 Emergency Communications District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. This 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 my audit.

GASB Statement No. 34 provides guidance on Management's Discussion and Analysis, which is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. However, management has chosen to exclude this information.

My audit was performed for the purpose of forming an opinion on the financial statements of Sequatchie County E-911 Emergency Communications District, taken as a whole. The accompanying supplementary financial information is presented for the purposes of additional analysis and is not a required part of the financial statement of Sequatchie County E-911 Emergency Communications District. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

George C Jackson

June 26, 2009
Jasper, Tennessee

SEQUATCHIE COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008 AND JUNE 30, 2007

ASSETS

	June 30, 2008	June 30, 2007
CURRENT ASSETS:		
Cash	$ 34,067	$ 48,369
Accounts receivable, telephone service charges	15,193	23,314
Prepaid expenses	3,776	9,082
Total Current Assets	53,036	80,765
CAPITAL ASSETS:		
Furniture and fixtures	11,317	7,789
Office equipment	22,563	17,657
Communications equipment	292,990	292,415
Buildings and Improvements	170,020	170,020
	496,890	487,881
Less accumulated depreciation	(175,640)	(112,081)
Capital assets, net	321,250	375,800
Total Assets	$ 374,286	$ 456,565

(The accompanying notes are an integral part of these statements.)

SEQUATCHIE COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008 AND JUNE 30, 2007

LIABILITIES AND NET ASSETS

	June 30, 2008	June 30, 2007
CURRENT LIABILITIES:		
Accounts payable	$ 8,358	$ 3,160
Accrued payroll	10,832	4,502
Payroll taxes withheld and accrued	3,924	1,412
Line of Credit Mountain Valley Bank	20,000	-
Current portion of capitalized lease obligation	10,200	10,200
Total Current liabilities	53,314	19,274
LONG TERM LIABILITIES:		
Capitalized lease obligation	51,000	61,200
Total liabilities	104,314	80,474
NET ASSETS:		
Invested in capital assets	260,050	304,399
Unrestricted	9,922	71,692
Total Net Assets	269,972	376,091
Total Liabilities and Net Assets	$ 374,286	$ 456,565

(The accompanying notes are an integral part of these statements.)

SEQUATCHIE COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007

	June 30, 2008	June 30, 2007
REVENUES:		
Emergency telephone service charges	$ 139,620	$ 138,397
State Emergency Communications Board Shared wireless charge	18,533	25,225
State Emergency Communications Board Operational Funding	72,215	72,215
Total Revenue	230,368	235,837
EXPENSES:		
Salaries and benefits	307,280	223,782
Contracted services	40,071	40,166
Supplies and materials	28,579	37,164
Other expenses	21,453	20,404
Depreciation	63,559	57,363
Total Expenses	460,942	378,879
OPERATING LOSS	(230,574)	(143,042)
NONOPERATING REVENUES:		
Interest income	165	357
State grants and reimbursements	26,760	156,499
Contributions from primary government	75,000	75,000
Miscellaneous income	209	1,193
Interest expense	(187)	(1,350)
Revenue from contracted services	22,508	-
Total Nonoperating Revenues (Expenses)	124,455	231,699
CHANGE IN NET ASSETS	(106,119)	88,657
NET ASSETS:		
Beginning	376,091	287,434
Ending	$ 269,972	$ 376,091

See Accompanying Notes to Financial Statements.

SEQUATCHIE COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007

	June 30, 2008	June 30, 2007
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Receipts for emergency communication services	$ 166,274	$ -
Receipts from Operations		227,502
Receipts for operational funding	72,215	-
Payments to or for employees	(298,438)	-
Payments for goods and services	(79,599)	(325,190)
Net cash used by operating activities	(139,548)	(97,688)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Contributions from primary government	$ 75,000	$ 75,000
State ECB Grants & Reimbursements	16,760	156,499
Miscellaneous income	209	1,193
Revenue from contractor services	22,508	-
Net cash provided by non-capital financing activities	114,477	232,692
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Advance from line of credit	$ 50,000	$ -
Principal payments on line of credit	(30,000)	(55,000)
Interest expense on line of credit	(187)	(1,350)
Purchase of capital assets	(9,009)	(49,805)
Payments to county on building note	(10,200)	(10,200)
State ECB grants & reimbursements	10,000	-
Net cash provided by/ (used) by capital and related financing activities	10,604	(116,355)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	$ 165	$ 357
NET INCREASE (DECREASE) IN CASH	(14,302)	19,006
CASH:		
Beginning	48,369	29,363
Ending	$ 34,067	$ 48,369

See Accompanying Notes to Financial Statements.

SEQUATCHIE COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007

	June 30, 2008	June 30, 2007
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY/(USED) FOR OPERATING ACTIVITIES:		
Operating Loss	$ (230,574)	$ (143,042)
Adjustments to reconcile operating loss to net cash provided by/(used) for operating activities:		
Depreciation	63,559	57,363
(Increase) Decrease in operating assets:		
Accounts receivable	8,121	(8,335)
Prepaid expense	5,306	(4,513)
Increase (Decrease) in operating liabilities:		
Accounts payable	5,198	65
Accrued payroll/vacation	6,330	(638)
Payroll withholdings	2,512	1,412
Net cash used by operating activities	$ (139,548)	$ (97,688)

See Accompanying Notes to Financial Statements.

SEQUATCHIE COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Sequatchie County E-911 Emergency Communications District is a governmental entity organized pursuant to Chapter 867 of the 1984 Tennessee Public Acts. 9-1-1 serves all of Sequatchie County, Tennessee.

E-911 is defined as a component unit of the local government of Sequatchie County, Tennessee under the criteria of Government Accounting Standards Board. The Sequatchie County Commission appoints the Board of Directors. The Sequatchie County Commission may appropriate funds to 9-1-1 for its operation and maintenance. E-911 must obtain permission from the Sequatchie County Commission prior to issuing long-term debt.

Financial Reporting – E-911, a proprietary fund, accounts for activities similar to those found in the private sector, where determination of net income (loss) is necessary or useful to sound financial administration.

The Governmental Accounting Standards Board (GASB) exercises jurisdiction over accounting and reporting for governments. The Financial Accounting Standards Board (FASB) exercises jurisdiction over private enterprises and nonprofits. However, under the guidance of the Governmental Accounting Standards Boards Statement Number 20, pronouncements of the FASB issued before November 30, 1989, are applicable to proprietary funds unless they conflict with or contradict GASB guidance. After November 30, 1989, there are two options for enterprise funds: 1) Follow GASB guidance only and not follow any FASB guidance issued after that date or 2) Continue to apply all future FASB guidance that does not conflict with or contradict GASB guidance.

The Tennessee Office of the Comptroller of the Treasury requires that all emergency communication districts in the state follow option one. All Tennessee Emergency Communication Districts are required to follow only GASB guidance after November 30, 1989 and not follow any FASB guidance issued after that date. Accordingly, Sequatchie County E-911 follows option one.

Basis of Accounting – E-911 uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Operating income includes pass through fees billed and collected by telephone carriers as well as E-911's portion of the shared wireless charges levied on all cell phones in the State and operational funding from the State of Tennessee. Operating expenses are the cost of providing emergency dispatch services, general and administrative expenses and depreciation of capital assets. Non-operating revenues include grants and reimbursements received from State of Tennessee and interest income. Non-operating expenses include interest expense and all other non-operating costs.

Cash Flows – For purposes of the statement of cash flows, cash includes cash in the bank and cash on hand.

Accounts Receivable – Accounts receivable for telephone service charges and other receivables are reported at the outstanding principle amount. Uncollectible accounts, if any, are accounted for using the direct write-off method, which would produce no material differences from the allowance method.

Capital Assets - E-911 capitalizes significant purchases of capital assets, which are recorded at cost. Depreciation is provided over the estimated useful lives as follows:

Furniture & Fixtures	5-7 years
Communications Equipment	5-7 years
Office & Equipment	5-7 years
Building & Improvements	10-40 years

Depreciation expense for the year ended June 30, 2008 was $63,559.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2: CASH AND INVESTMENTS

Effective June 30, 2005, E-911 implemented GASB Statement Number 40, "Deposit and Investment Risk Disclosures." This statement eliminated or modified portions of the disclosures previously required by GASB Statement Number 3. GASB Statement Number 40 is designed to improve financial reporting of deposit and investment risks.

At June 30, 2008, E-911's cash and investments consist of the following –

	Weighted Average Maturity (Years)	Fair Value
Cash in demand deposit accounts	0.00	$ 34,067

Interest Rate Risk - As a means of limiting its exposure to losses resulting from rising interest rates, E-911's usual policy is to invest in certificates of three years or less. The exposure to interest rate changes is presented using the weighted average maturity method. Its policy is to limit exposure to interest rate risk by requiring sufficient liquidity in the investment portfolio. E-911's investments experienced no significant fluctuations in fair value during the year.

Custodial Credit Risk – E-911's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by federal deposit insurance or the Tennessee Bank Collateral Pool, by collateral held by E-911's agent in E-911's name, or by Federal Reserve Banks acting as third party agents. All of E-911's deposits are in a bank which participates in the Tennessee Bank Collateral Pool. State statutes also authorize the types of investments in which E-911 may participate. E-911 limits its investments to certificates of deposit with local banks.

Credit Risk – E-911's policies are designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws.

NOTE 3: CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2008 are as follows:

	Beginning	Additions	Retirements	Ending
Assets:				
Furniture and Fixtures	$ 7,789	$ 3,528	$ -	$ 11,317
Office equipment	17,657	4,906	-	22,563
Communications equipment	292,415	575	-	292,990
Building and improvements	170,020	-	-	170,020
	487,881	9,009	-	496,890
Accumulated depreciation:				
Furniture and Fixtures	3,762	1,714	-	5,476
Office equipment	5,182	4,331	-	9,513
Building and improvements	23,085	9,352	-	32,437
Communications equipment	80,052	48,162	-	128,214
Net Capital Assets	$375,800	$(54,550)	$ -	$321,250

NOTE 4: COMPENSATED ABSENCES

The liability for employee accrued vacation and sick leave is computed annually at the year end.

Based on the employee policy and procedure manual, employees receive one day of sick leave per month. Employees can accumulate up to 12 days per year. In the event of retirement or separation from service, all unused sick leave is forfeited.

Employees accumulate vacation at varying rates depending on longevity. Vacation time may not be accumulated and carried forward to the next year. Upon termination of employment, employee is entitled to payments for any unused vacation time which has accrued.

At June 30, 2008, the accrued liability for compensated absenses totaled $3,411.

NOTE 5: LEASES

E-911 leases a Kyocera Copystar CS-2550 Digital Imaging System from MSA, Inc. The lease is for a period of 60 months and monthly payments are $121. Future lease payments are as follows:

Year Ended June 30, 2009	$1,452
Year Ended June 30, 2010	1,452
Year Ended June 30, 2011	121

Lease expenses totaled $1,452 for the year ended June 30, 2008.

NOTE 6: LINE OF CREDIT

E-911 maintains a $75,000 unsecured line of credit from Mountain Valley Bank. The line of credit has a variable interest rate. At June 30, 2008, $20,000 was owed on the line of credit.

NOTE 7: CAPITALIZED LEASE OBLIGATION

E-911 signed a capitalized lease obligation with the Sequatchie County government to purchase its building. The lease was signed on October 29, 2004 and calls for interest free payments of $10,200 each year for 8 years. At the end of 8 years, E-911 will pay $10,200 and the building will belong to them. Payments under this agreement totaled $10,200 for year ended June 30, 2008.

NOTE 8: RETIREMENT PLAN

All full time employees participate in the Tennessee Consolidated Retirement System administered by the State of Tennessee. Under the plan, employees are required to contribute 5% of their gross pay and E-911 matches 3.41% of employee's gross pay. Total retirement contributions for the year ended June 30, 2008 totaled $8,751.

NOTE 9: GRANT

E-911 received grants totaling $17,480 from the Tennessee Emergency Communications Board during the year.

E-911 received a GIS mapping grant totaling $10,000, and a rural dispatch grant totaling $7,480.

NOTE 10: RISK

E-911 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters.

E-911 is insured, subject to specified limits, for risks of these types of losses, including workers compensation, general liability, auto, personal property, and errors and omissions.

Historically, settled claims have been less than insurance coverage.

SEQUATCHIE COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Final Budget To Actual Variance
REVENUES:				
Emergency Telephone Service Charges	$ 135,600	$135,600	$ 139,620	$ 4,020
State Emergency Communication Board				
Shared Wireless Charge	72,215	72,215	18,533	(53,682)
Operational Funding	-	-	72,215	72,215
State grants	10,000	10,000	26,760	16,760
Interest Income	-	-	165	165
Contributions from primary government	75,000	75,000	75,000	-
Revenue from contracted services	-	-	22,508	22,508
Miscellaneous income	-	-	209	209
TOTAL REVENUES	$ 292,815	$292,815	$ 355,010	$ 62,195
SALARIES AND BENEFITS:				
Director	36,071	36,071	37,417	(1,346)
Administrative personnel	-	-	26,410	(26,410)
Dispatchers	108,065	108,065	151,827	(43,762)
Data processing personnel	-	-	16,880	(16,880)
Overtime pay	24,645	24,645	30,194	(5,549)
Part-time personnel	10,868	10,868	6,475	4,393
Social Security	11,500	11,500	17,842	(6,342)
Medicare	2,938	2,938	4,173	(1,235)
Life Insurance	-	-	1,230	(1,230)
Medical Insurance	-	-	6,081	(6,081)
Unemployment compensation	1,201	1,201	-	1,201
Retirement contributions	4,447	4,447	8,751	(4,304)
TOTAL SALARIES AND BENEFITS	199,735	199,735	307,280	(107,545)

Continued

SEQUATCHIE COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Final Budget To Actual Variance
CONTRACTED SERVICES:				
Addressing/mapping	-	-	215	(215)
Advertising	2,000	2,000	983	1,017
Auditing services	2,000	2,000	1,500	500
Accounting services	2,600	2,600	985	1,615
Contracts with government agencies	10,200	10,200	-	10,200
Data processing services	-	-	515	(515)
Fees paid to service providers	1,560	1,560	1,688	(128)
Legal services	4,200	4,200	4,200	-
Maintenance agreements	6,645	6,645	6,519	126
NCIC/TBI/TIES expenses	6,400	6,400	6,920	(520)
Pest control	420	420	485	(65)
Lease/Rental-Office Equipment	-	-	1,510	(1,510)
Lease/Rental-Buildings & Facilities	-	-	391	(391)
Lease/Rental-Office Equipment	1,524	1,524	754	770
R&M-communications equipment	6,250	6,250	4,761	1,489
R&M Buildings & Facilities	2,500	2,500	1,462	1,038
R&M-office equipment	2,000	2,000	2,979	(979)
R&M-Vehicles	2,000	2,000	4,204	(2,204)
Internet	700	700	-	700
Language Line	576	576	-	576
TOTAL CONTRACT SERVICES	51,575	51,575	40,071	11,504
SUPPLIES AND MATERIALS:				
Supplies and materials	2,900	2,900	3,773	(873)
Office supplies	1,300	1,300	1,629	(329)
Custodial supplies	500	500	1,648	(1,148)
Data processing supplies	6,250	6,250	6,079	171
Postage	500	500	366	134
Small equipment purchases	500	500	337	163
Uniforms and shirts	500	500	1,746	(1,246)
Utilities - Electric	4,750	4,750	4,982	(232)
Utilities - Gas	550	550	100	450
Utilities - Water & Sewer	275	275	296	(21)
Utilities - General Telephone	4,000	4,000	4,743	(743)
Utilities - Cell phone & pagers	1,300	1,300	2,880	(1,580)
TOTAL SUPPLIES AND MATERIALS	23,325	23,325	28,579	(5,254)

Continued

SEQUATCHIE COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Final Budget To Actual Variance
OTHER CHARGES:				
Other charges	500	500	-	500
Bank charges	62	62	20	42
Board meeting expenses	-	-	520	(520)
Dues & memberships	500	500	452	48
Employee Testing & Exams	1,000	1,000	-	1,000
Workers' compensation insurance	1,500	1,500	1,058	442
Liability insurance	2,800	2,800	3,061	(261)
Building & contents insurance	1,500	1,500	1,839	(339)
Equipment insurance	250	250	-	250
Vehicle insurance	602	602	1,315	(713)
Legal notices	800	800	-	800
Licenses & fees	200	200	167	33
Premiums on Surety bonds	250	250	-	250
Public education	2,000	2,000	1,184	816
Training expense	300	300	4,906	(4,606)
Travel	3,000	3,000	6,493	(3,493)
Other charges	2,500	2,500	438	2,062
TOTAL OTHER CHARGES	17,764	17,764	21,453	(3,689)
TOTAL EXPENSES	292,399	292,399	397,383	(104,984)
NET INCOME (LOSS)	$ 416	$ 416	$ (42,373)	$ (42,789)

Total Actual Budgeted Expenses	$ 397,383
Depreciation	63,559
Total GAAP basis expenses	$ 460,942

SEQUATCHIE COUNTY E-911

EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF INSURANCE

JUNE 30, 2008

INSURER POLICY PERIOD	COVERAGE
American Alternative Insurance Corporation December 2, 2007 to December 2, 2008	Real Property $160,785 Personal Property $224,973 Crime- Blanket Bond $10,000 General Liability - $1,000,000 Each $3,000,000 Aggregate Mgmt. Liability - $1,000,000 Each $3,000,000 Aggregate
American Alternative Insurance Corporation December 2, 2007 to December 2, 2008	Auto- Liability/Replacement $1,000,000
Sheffield Insurance Company July 19, 2007 to July 19, 2009	Workers compensation - statutory

SEQUATCHIE COUNTY E-911 EMERGENCY COMMUNICATIONS DISTRICT
SUPPLEMENTARY PSAP INFORMATION
JUNE 30, 2008

Number of public safety answering points	1
Address of public safety answering point	426 Cedar Street Dunlap, TN 37327-3717
Type of system/equipment	TCI/Nortel/Geo Base
Chairman	Dan Ewton 4921 W. Valley Road P. O. Box 98 Dunlap, TN 37327 Phone: 1-423-949-3100 Fax: 1-423-949-5808

SEQUATCHIE COUNTY E-911 EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2008

Grantor	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Cash Expenditures	Ending (Accrued) Deferred
Federal Awards	-	$ -	$ -	$ -	$ -
Tennessee Emergency Communication Board	Rural Dispatch	-	7,480	7,480	-
Tennessee Emergency Communication Board	GIS Mapping	-	10,000	10,000	
Total State Awards		-	17,480	17,480	-
Total State and Federal Awards		$ -	$ 17,480	$ 17,480	$ -

The rural dispatch and G/S mapping grants are cost recovery grants for expenses relating to the cost of dispatchers and mapping.

GEORGE C. JACKSON

CERTIFIED PUBLIC ACCOUNTANT

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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
Sequatchie County E-911 Emergency Communications District
Dunlap, Tennessee

I have audited the financial statements of Sequatchie County E-911 Emergency Communications District, as of and for the year ended June 30, 2008 and have issued my report thereon dated June 26, 2009. I conducted my 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 my audit, I considered Sequatchie County E-911's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the 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 entity'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 financial statements that is more than inconsequential will not be prevented or detected by E-911's internal control. I consider the deficiencies described in the accompanying schedule of audit findings and recommendations to be significant deficiencies in internal control over financial reporting.

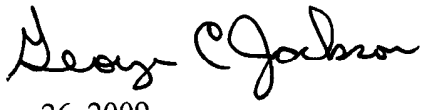
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sequatchie County E-911's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contract 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*.

This report is intended solely for the information of the Board of Directors, Management, Sequatchie County Government, and the State of Tennessee. This report is not intended to be and should not be used by anyone other than these specified parties.



June 26, 2009
Jasper, Tennessee

SEQUATCHIE COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
AUDIT FINDING AND RECOMMENDATIONS
JUNE 30, 2008

Listed below are the audit findings and recommendations for the year ended June 30, 2008:

A: FINDING

Several expense items exceeded the adopted budget amounts. The District failed to obtain budget amendments for these overages. This is in violation of *Tennessee Code Annotated,* Title 7, Section 86, Chapter 120.

RECOMMENDATION:

The District's management and board of directors should monitor its actual amounts to budgeted amounts closely. If it appears that a line item is going to exceed budgeted amounts, a budget amendment needs to be approved.

MANAGEMENT'S RESPONSE:

This was an oversight on our part. We are working very hard to ensure our compliance with promulgated rules, laws, and regulations.

B: FINDING

The District used an outside fiduciary to prepare payroll and file necessary payroll tax filings. The District posted only the net amounts of payroll in their accounting system. As a result, payroll taxes and salaries and wages were understated.

RECOMMENDATION:

The District needs to contact their software provider and have the payroll services synced to their general ledger. This will provide on line, real time general ledger information.

MANAGEMENT'S RESPONSE:

We are working very hard to get the payroll function integrated into our accounting program. We are taking the steps necessary to ensure that payroll and related payroll taxes are reported gross and that the applicable liabilities are accurate.

C: FINDING

The District does not maintain its general ledger on the accrual basis of accounting as required by the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts.* The District does not record receivables, prepaid expenses, etc. Audit adjustments to reflect receivables and prepaid expenses were proposed and accepted by management.

RECOMMENDATION:

The District needs to consult with an accounting firm to train the bookkeeper to comply with this state requirement.

FINDING:

We are working very hard to bring our accounting practices up to the State mandated requirements.

D. FINDING:

It appears that bookkeeper is failing to properly post expenses to the correct general ledger account when posting accounts payable invoices into system. Numerous audit adjustments were proposed and accepted by management to comply with the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts.*

RECOMMENDATION:

The District needs to consult with an accounting firm to provide a refresher course on the State mandated requirements for Emergency Communications Districts.

FINDING:

We are working very hard to bring our accounting practices up to the State mandated requirements.

SEQUATCHIE COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2008

Listed below are the prior year audit findings and recommendations and their dispositions:

Finding 07-1

Some invoices or other supporting documentation were missing. This is in violation of Section II of the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts.*

Disposition:

No similar instances of noncompliance were noted this year.

Finding 07-2

The prescribed chart of accounts set forth by the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* was not followed. Reclassifying adjustments were proposed and were accepted by management.

Disposition:

The District has obtained Peachtree Accounting to comply with the State statutes for their chart of accounts.

Finding 07-3

Some expense items exceeded the adopted budget amounts. This is in violation of the *Tennessee Code Annotated*, Title 7, Section 86, Chapter 120.

Disposition:

The District still had multiple expense items that exceeded their budgeted amounts. Audit finding will be repeated.

Finding 07-4

Flowers, gifts, donations and entertainment expenditures were found. This is in violation of the Tennessee Emergency Communications Board revenue standards.

Disposition:

No similar items of noncompliance were noted this year.