

**BENTON COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

FINANCIAL STATEMENTS

June 30, 2009

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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INTRODUCTORY SECTION

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OFFICIALS**

Board Members

Jerold Johnson – Chairman

John Smoot – Secretary/Treasurer and Director of Operations

Billy Bell – Vice-chairman

Dwayne Presson
Roger Pafford
Monty Montgomery
Randy Shannon
Raymond Palen

Independent Certified Public Accountants

Alexander Thompson Arnold PLLC
Union City, Tennessee

FINANCIAL SECTION



Certified Public Accountants

www.atacpa.net

624 East Reelfoot Avenue Telephone: (731) 885-3661
Union City, TN 38261 (800) 273-3240
Fax: (731) 885-6909

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AICPA Center for Public Company Audit Firms
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AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

Board of Directors
Benton County Emergency Communications District

We have audited the accompanying financial statements of the Benton County Emergency Communications District, a component unit of Benton County, Tennessee, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 in the first paragraph present fairly, in all material respects, the financial position of the Benton County Emergency Communications District as of June 30, 2009, and the results of its operations and its 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 November 23, 2009, on our consideration of the 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.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

McKenzie, TN
Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

Benton County Emergency Communications District has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section and supplementary information section include supplementary information that is presented for purposes of additional analysis and are not a required part of the financial statements of the Benton County Emergency Communications District. The budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and the schedule of information required by the Tennessee Emergency Communications Board have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Alexander Thompson Arnold PLLC

Union City, Tennessee
November 23, 2009

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS

Current assets

Cash	\$ 414,223
Accounts receivable	7,658
Due from TECB	23,071
Prepaid expense	<u>1,421</u>
Total current assets	446,373

Noncurrent assets

Communications equipment	80,102
Leasehold improvements	19,962
Other equipment	73,037
Furniture and fixtures	396
Accumulated depreciation	<u>(68,877)</u>
Total noncurrent assets	<u>104,620</u>

Total assets	<u>550,993</u>
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LIABILITIES

Current liabilities

Accounts payable	<u>6,093</u>
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NET ASSETS

Invested in capital assets	104,620
Unrestricted	<u>440,280</u>
Total net assets	<u>\$ 544,900</u>

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

Operating revenue		
TECB - shared wireless charge		\$ 36,000
TECB - operational funding		86,169
Emergency telephone service charge		<u>85,335</u>
Total operating revenue		207,504
Operating expenses		
Contracted services		
Addressing/mapping expense	18,684	
Audit services	4,500	
Administrative fees - service charge	24	
Fees paid to service provider	348	
Legal services	88	
Maintenance agreement	13,850	
Lease/rental - communications equipment	48,039	
Repair and maintenance	3,362	
Supplies and materials		
Office supplies	738	
Small equipment purchases	735	
Postage	148	
Bank service charges	1,168	
Utilities	2,076	
Other supplies and materials	968	
Other charges		
Claims and judgements	164	
Dues and memberships	141	
Insurance - liability	2,477	
Legal notices	41	
Licenses and fees	2,126	
Insurance - surety bonds	946	
Training	2,336	
Travel	812	
Depreciation expense	<u>15,970</u>	
Total operating expenses		<u>119,741</u>
Operating income		87,763
Non-operating income		
Interest income	4,473	
State training reimbursement	<u>1,900</u>	
Total non-operating income		<u>6,373</u>
Net income		94,136
Net assets - July 1, 2008		<u>450,764</u>
Net assets - June 30, 2009		<u><u>\$ 544,900</u></u>

The notes to the financial statements are an integral part of this financial statement.

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

Cash flows from operating activities	
Cash received from surcharges and other revenue	\$ 191,342
Cash payments to suppliers for goods and services	<u>(104,603)</u>
Net cash provided by operating activities	86,739
Cash flows from non-capital financing activities	
State training reimbursement	1,900
Cash flows from capital and related financing activities	
Purchase of property, plant, and equipment	(20,323)
Cash flows from investing activities	
Interest earned on investments	<u>4,473</u>
Net increase in cash	72,789
Cash - July 1, 2008	<u>341,434</u>
Cash - June 30, 2009	<u>\$ 414,223</u>

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 87,763
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>	
Depreciation	15,970
Decrease in accounts receivable	254
Increase in due from TECB	(16,416)
Increase in prepaid expense	(235)
Decrease in accounts payable	<u>(597)</u>
Total adjustments	<u>(1,024)</u>
Net cash provided by operating activities	<u>\$ 86,739</u>

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

NOTE 1 – Significant Accounting Policies

A. Reporting Entity

The Benton County Emergency Communications District was created on August 4, 1988 by a referendum of voters in Benton County, Tennessee, to be an emergency communications district as defined by Tennessee state law. As such, it is considered to be a "municipality" or public corporation in perpetuity under its corporate name and shall be a body politic and corporate with power of perpetual succession, but without power to levy or collect taxes. All Tennessee emergency communications districts are required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* developed by the Office of the Comptroller of the Treasury, Division of County Audit, pursuant to Section 7-86-304, *Tennessee Code Annotated* (TCA).

In evaluating how to define the Benton County Emergency Communications District for financial reporting purposes, management has considered whether the District is a primary government or a component unit of another primary government. The decision to be included as a component unit of another reporting entity is made by applying the criteria set forth in Governmental Accounting Standards Board Statement 14, *The Financial Reporting Entity*. The Board of Directors of the District are appointed by the County Commission. The County Commission has the authority to adjust the rates charged by the District, and the District must obtain the approval of the Commission before issuance of most debt instruments. The County has determined that this constitutes fiscal dependency by the District, and has, therefore, included the District as a component unit of Benton County in its financial statements.

Since the District is deemed to be a municipality under Tennessee state law, it is exempt from federal income taxes.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Benton County Emergency Communications District accounts for its financial position and results of operations in accordance with generally accepted accounting principles as defined in the statements of the Governmental Accounting Standards Board (GASB) for proprietary funds. Generally accepted accounting principles for proprietary fund types are those applicable to similar businesses in the private sector, and the measurement focus is on the determination of net income, financial position, and cash flows. Proprietary fund types are accounted for on the accrual basis, whereby income is recognized as it is earned and expenses are recognized as they are incurred, whether or not cash is received or paid out at that time.

The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 gives governments the option of applying all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary funds, unless they conflict with or contradict GASB pronouncements. The Office of the Comptroller of the Treasury requires Tennessee emergency communications districts not to implement FASB statements and interpretations issued thereafter, unless they are adopted by GASB.

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

C. Budgetary Information

The District is required by TCA Section 7-86-120 to adopt an annual budget. The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds. The budget prepared for the year ended June 30, 2009, did not report revenue and expenses using the uniform chart of accounts required by the State. When the budgeted amounts were incorporated into the budgetary comparison schedule presented in this report, several line items of expenditures exceeded their budgeted amounts.

The District's budget is prepared on a basis which differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that capital expenditures are budgeted as operating expenses, depreciation on fixed assets is not budgeted, and expenses are on the cash basis rather than the accrual basis. A reconciliation of the material differences between budgetary basis and GAAP basis for the year ended June 30, 2009, is presented below.

Net income – budgetary basis	\$ 110,106
Depreciation expense	<u>(15,970)</u>
Net income – GAAP basis	<u>\$ 94,136</u>

D. Assets, Liabilities, and Net Assets

Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of inception. State statutes authorize the System to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements as approved by the state director of local finance, and the state's local government investment pool.

Capital assets

Capital assets are stated at cost. Assets consist of communications equipment, furniture and fixtures, building improvements and other equipment, which are depreciated using the straight-line method over estimated useful lives ranging from 5-15 years.

Net assets

Equity is reported as net assets, which are classified into the following components as applicable:

- Invested in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets
- Restricted – net assets when constraints are placed on their use by external third parties or imposed by law
- Unrestricted – all other net assets that do not meet the definition of the other categories

The District elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Occupancy In-Kind

Benton County provides the District with personnel, facilities and related utilities for the District's operations. No provision has been made in these financial statements to recognize any amounts incurred by the County on the District's behalf.

Personnel

The District has no employees. All dispatch functions are conducted by employees of Benton County.

NOTE 2 – Detailed Notes on Accounts

A. Deposits and investments

As of June 30, 2009, the District had demand deposits at financial institutions in checking accounts, savings accounts, money market accounts and certificates of deposit.

Custodial Credit Risk - The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. 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 uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2009, all of the District's deposits were insured or collateralized.

B. Revenues and Receivables

The District receives its revenue from monthly fees paid by service users in the County. AT&T, the major service supplier in Benton County, and other telephone companies collect the service fees and remit the funds to the District, after retaining an administrative fee ranging from one to three percent of collections. Accounts receivable represent amounts due from the telephone companies. The District also receives a portion of the wireless phone surcharge collected by the Tennessee Emergency Communications Board (TECB). The receivable from TECB represents amounts collected by the State prior to year end, but not remitted to the District until after June 30.

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

C. Capital assets

Capital asset activity during the year was as follows:

Description	Balance 7/1/08	Additions	Disposals	Balance 6/30/09
Capital assets, being depreciated				
Communications equipment	\$ 80,102	\$ -	\$ -	\$ 80,102
Leasehold improvements	19,962	-	-	19,962
Other equipment	52,714	20,323	-	73,037
Furniture and fixtures	396	-	-	396
Total capital assets being depreciated	<u>153,174</u>	<u>20,323</u>	<u>-</u>	<u>173,497</u>
Less accumulated depreciation				
Communications equipment	31,148	8,716	-	39,864
Leasehold improvements	1,643	1,378	-	3,021
Other equipment	20,035	5,819	-	25,854
Furniture and fixtures	81	57	-	138
Total accumulated depreciation	<u>52,907</u>	<u>15,970</u>	<u>-</u>	<u>68,877</u>
Total capital assets, net	<u>\$ 100,267</u>	<u>\$ 4,353</u>	<u>\$ -</u>	<u>\$ 104,620</u>

NOTE 3 – Other Information

A. Risk Management

The District is exposed to various risks related to general and public officials liability, officers/directors errors and omissions liability and property and casualty losses. It is the District's policy to purchase commercial insurance for these risks. Settlements have not exceeded insurance coverage in any of the prior three years.

B. Commitments

During the year ended June 30, 2007, the District entered into a five-year service contract with AT&T in conjunction with the purchase of equipment. The monthly service fee as of June 30, 2009, is \$3,847. If terminated, the service contract calls for a termination charge equal to the number of months remaining in the contract term multiplied by sixty percent (60%) of the monthly service fee. The District does not anticipate terminating the service contract.

Each year the District enters into a contract for mapping and address maintenance services. The contract is cancelable on 30 days notice by either party. In July 2008, the fee was increased from \$1,300 to \$1,500 per month.

SUPPLEMENTARY INFORMATION SECTION

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Operating revenue				
TECB - shared wireless charge	\$ 36,000	\$ 36,000	\$ 36,000	\$ -
TECB - operational funding	89,160	89,160	86,169	(2,991)
Emergency telephone service charge	90,000	90,000	85,335	(4,665)
Total operating revenue	<u>215,160</u>	<u>215,160</u>	<u>207,504</u>	<u>(7,656)</u>
Operating expenses				
Contracted services				
Addressing/mapping expense	62,000	62,000	18,684	(43,316)
Audit services	4,500	4,500	4,500	-
Administrative fees - service charge	-	-	24	24
Fees paid to service provider - TN TEL	348	348	348	-
Fees paid to service provider - other	8,020	8,020	-	(8,020)
Legal services	250	250	88	(162)
Maintenance agreement	23,012	23,012	13,850	(9,162)
Lease/rental - communications equipment	155,000	155,000	48,039	(106,961)
Repair and maintenance	7,000	7,000	3,362	(3,638)
Director	21,000	21,000	-	(21,000)
Supplies and materials				
Office supplies	500	500	738	238
Small equipment purchases	3,000	3,000	735	(2,265)
Postage	300	300	148	(152)
Bank service charges	-	-	1,168	1,168
Utilities	-	-	2,076	2,076
Other supplies and materials	-	-	968	968
Other charges				
Claims and judgements	-	-	164	164
Dues and memberships	-	-	141	141
Insurance - liability	3,500	3,500	2,477	(1,023)
Legal notices	-	-	41	41
Licenses and fees	-	-	2,126	2,126
Insurance - surety bonds	-	-	946	946
Training	-	-	2,336	2,336
Travel	-	-	812	812
Total operating expenses	<u>288,430</u>	<u>288,430</u>	<u>103,771</u>	<u>(184,659)</u>
Operating income (loss)	<u>(73,270)</u>	<u>(73,270)</u>	<u>103,733</u>	<u>177,003</u>
Non-operating income				
Interest income	4,500	4,500	4,473	(27)
TECB grants and reimbursements	185,000	185,000	1,900	(183,100)
Total non-operating income	<u>189,500</u>	<u>189,500</u>	<u>6,373</u>	<u>(183,127)</u>
Net income	<u>\$ 116,230</u>	<u>\$ 116,230</u>	<u>\$ 110,106</u>	<u>\$ (6,124)</u>

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF INFORMATION REQUIRED BY THE
TENNESSEE EMERGENCY COMMUNICATIONS BOARD - UNAUDITED
June 30, 2009**

At June 30, 2009, the Benton County Emergency Communications District had only one public safety answering point (PSAP). The address of and the type of equipment used by the PSAP are as follows:

Physical Address: 152 N. Forrest Ave.
Camden, TN 38320

Mailing Address: P.O. Box 755
Camden, TN 38320

Equipment: Positron Life Line 100 System
Database: Services provided by AT&T

The names, addresses, and telephone numbers of the District's key officials are as follows:

Chairman: Jerold Johnson
P.O. Box 755
Camden, TN 38320
Ph. 731.593.3928

Director: John Smoot
P.O. Box 755
Camden, TN 38320
Ph. 731.593.3928

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

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Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

**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
Benton County Emergency Communications District

We have audited the financial statements of the Benton County Emergency Communications District, a component unit of Benton County, Tennessee, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 23, 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 Benton County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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 response as Item 09-1 to be significant deficiencies in internal control over financial reporting.

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

McKenzie, TN
Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

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 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 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 Benton County 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 response as Items 09-2, 09-3 and 08-2.

Benton County Emergency Communications District's response to findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the 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, management, and the State of Tennessee Comptroller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Thompson Arnold PLLC

Union City, Tennessee
November 23, 2009

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSE**

June 30, 2009

FINDINGS RELATIVE TO THE AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Significant Deficiency

09-1 Segregation of Duties

Condition: The secretary/treasurer of the board is the acting director of the District and handles all bookkeeping functions.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: While it is apparent that staff size is not adequate to fully segregate the accounting functions of the District, management needs to be aware that this limitation in internal control over financial reporting exists.

Response: *We concur.*

Non-compliance

09-2 Failure to Prepare Budgetary Statements

Condition: The District did not provide a statement comparing budget with actual year-to-date revenues and expenses using the uniform chart of accounts. In addition, the uniform chart of accounts was not used in the preparation of the District's budget for the year ended June 30, 2009. The budgetary statement included in the District's financial statements for the year ended June 30, 2009, reported some expenditure line items which exceeded appropriations.

Criteria: The *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* requires that a financial report of the district's activities be provided at board meetings. The minimum guidelines for the board meeting financial report require a budgetary statement that compares budget with actual for the year to date. The Manual also states that expenses must be presented at the legal level of control, which is defined to be at the line-item level.

Effect: The District financial records were not prepared in accordance with state law. Since the Manual states that the level of budgetary control must be at the line item level, the District has made expenditures not legally appropriated by the Board.

Recommendation: We recommend the District use the uniform chart of accounts as required by state law to prepare its annual budget and the monthly financial statements required for board meetings. We also recommend that the District carefully monitor its budget each month and

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSE**

June 30, 2009

make amendments as necessary to include all expenditures within each line item. Final budget amendments for a current fiscal year must be approved prior to June 30.

Response: *We concur. District has corrected this item and has contracted an accounting firm to handle monthly financial statements with budgetary comparison at line-item level using the Uniform Chart of Accounts.*

09-3 Capitalization Policy

Condition: The District does not have a written capitalization policy for capital expenditures.

Criteria: The *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* states that each district should establish a capitalization policy, which specifies the per unit cost at which a given capital asset qualifies for capitalization.

Effect: Capital assets may not be recorded accurately.

Recommendation: We recommend that the District establish a written capitalization policy.

Response: *We concur with the recommendation. Board to discuss policy in January 2010 meeting.*

08-2 Dual Signatures

Condition: During our testing of disbursements, we noted one instance where a check was issued without two signatures.

Criteria: TCA 7-86-124 states "No member of the board of directors shall have control or custody of the financial assets of an emergency communications district. No member of the board of directors, on such member's sole authority [*emphasis added*], may authorize the disbursement, transfer, withdrawal or investment of any financial assets belonging to the emergency communications district." To comply with this statute, all checks must have two signatures.

Effect: Failure to comply with state laws governing dual signatures increases the risk of loss of public funds.

Recommendation: We recommend that the District obtain dual signatures on all checks.

Response: *We concur with the recommendation.*

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
June 30, 2009

Significant Deficiencies

- 03-2 Supporting Documents Not Retained – corrected
- 08-1 Failure to Use Required Chart of Accounts – corrected for general ledger; repeated for budget and monthly financial reports

Non-compliance

- 06-3 Uninsured/Uncollateralized Deposits – corrected
- 08-2 Dual Signatures – repeated
- 08-3 Budget amendments – repeated as part of 09-2