MORGAN COUNTY E-911 EMERGENCY COMMUNICATIONS DISTRICT
JUNE 30, 2009

TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT

MORGAN COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
JUNE 30, 2009

TABLE OF CONTENTS

Independent Auditor's Report	……	1-2
Statement of Net Assets	……	3
Statement of Revenues, Expenses, and Changes in Fund Net Assets	……	4-5
Statement of Cash Flow	……	6
Notes to the Financial Statement	……	7-10
Budget and Actual	……	11-12
Schedule of Required Information	……	13
911 Board Members	……	14
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*	……	15-16

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Morgan County E-911 Emergency Communications District
Wartburg, Tennessee

I have audited the accompanying financial statements of the Morgan County E-911 Emergency Communications District, a component unit of Morgan County, 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 Morgan County E-911 Emergency Communications District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 the Morgan County E-911 Emergency Communications District, as of June 30, 2009, and the respective changes in financial position 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 my report dated December 29, 2009, on my consideration of the Morgan County E-911 Emergency Communications District's internal control over financial reporting and on my 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 my testing and

not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered 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 conducted for the purpose of forming an opinion on the financial statements of Morgan 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 Morgan 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.

December 29, 2009
Cookeville, Tennessee

Tamara L. Beckman, CPA

MORGAN COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 376,879.40	
Investments - Certificate of Deposit	55,304.36	
Accounts Receivable	1,300.46	
Due from State Emer. Comm. Board	89,364.26	
Interest Receivable	63.34	
Prepaid Expenses	9,700.07	
Total Current Assets		$ 532,611.89
Non-Current Assets		
Land	90,000.00	
Office Equipment	19,809.58	
Less: A/D Office Equipment	(14,879.12)	
Communications Equipment	268,399.24	
Less: A/D Communications Equipment	(99,993.60)	
Vehicle	21,888.00	
Less: A/D Vehicle	(21,888.00)	
Construction in Progress	1,350,223.47	
Total Non-Current Assets		1,613,559.57
Total Assets		2,146,171.46
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	52,594.17	
Construction Loan	1,276,190.92	
Interest Payable	24,704.38	
Total Current Liabilities		1,353,489.47
Net Assets		
Invested in Capital Assets, Net of Related Debt	337,368.65	
Unrestricted Net Assets	455,313.34	
Total Net Assets		$ 792,681.99

The accompanying notes are in integral part of the financial statements

MORGAN COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

Operating Revenues			
Emergency Telephone Service Charges		$ 145,693.70	
State ECB – Shared Wireless Charges		51,320.20	
State ECB – Operational Funding Program		86,168.76	
Other Operating Revenue		13.23	
Total Operating Revenue			$ 283,195.89
Operating Expense			
Contracted Services			
Audit Services	$ 1,750.00		
Accounting Services	5,000.00		
Contract with Morgan County	100,438.56		
Fees paid to service providers	12,750.34		
Legal Services	6,600.00		
Maintenance Agreements	6,388.48		
Lease/Rental-Building & Facilities	2,740.50		
Maintenance & Repairs			
Communications Equipment	24,929.23		
Building & Facilities	969.63		
Office Equipment	2,372.21		
Vehicle	821.87		
Other Contracted Services			
Director	12,600.00		
Administrative Personnel	10,000.44		
Other	2,435.00		
Total Contracted Services		189,796.26	
Supplies & Materials			
Office Supplies	1,175.42		
Postage	216.80		
Small Epuipment Purchases	2,432.61		
Uniforms & Shirts	3,048.00		
Utilities			
Gas	29.88		

The Accompanying Notes are an integrat part of the financial statement

MORGAN COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

Telephone	2,527.55		
Cell Phone	1,535.23		
Fuel-Vehicle	2,267.03		
Total Supplies & Materials		13,232.52	
Other Charges			
Bank Charges	88.00		
Board Meeting Expenses	863.09		
Dues & Memberships	288.00		
Insurance-Liability	11,090.24		
Legal Notices	385.86		
Premiums on Surety Bonds	289.80		
Training	3,119.00		
Travel	16,321.57		
Training Program	328.98		
Miscellaneous	758.48		
Total Other Charges		33,533.02	
Depreciation		37,032.30	
Total Operating Expenses			273,594.10
Net Operating Income			9,601.79
Non-Operating Revenue and Expense			
State ECB-Grants and Reimbursements		106,167.50	
Interest Income		3,140.29	
Loss on Disposal of Property		(2,179.28)	
Interest Expense		(24,743.25)	
Total Non-Operating Revenue & Expense			82,385.26
Increase in Net Assets			91,987.05
Total Net Assets, July 1, 2008			700,694.94
Total Net Assets, June 30, 2009			$ 792,681.99

The Accompanying Notes are an integrat part of the financial statement

MORGAN COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2009

Cash Flows From Operating Activities		
Cash Received from Operations	$ 201,997.93	
Cash Payments for Goods and Services	(227,130.05)	
Net Cash Provided by Operating Activities		$ (25,132.12)
Cash Flows from Capital & Related Financing Activities		
Acquistion of New Assets	(13,759.62)	
Construction in Progress	(1,290,402.04)	
Proceeds from Construction Loan	1,276,190.92	
State ECB-Grants and Reimbursements	106,167.50	
Net cash used in capital & related financing activities		78,196.76
Cash Flows from Investing Activities		
Interest Received	3,666.14	
Transferred To CD	(1,729.60)	
Net Cash provided by Investing Activities		1,936.54
Net Increase in Cash and Cash Equivalents		55,001.18
Cash and Cash Equivalent at 6-30-08		321,878.22
Cash and Cash Equivalent at 6-30-09		$ 376,879.40
Reconcilement of Net Operating Income to Net Cash Provided by Operating Activities		
Net Operating Income	$ 9,601.79	
Depreciation	37,032.30	
Interest Expense	(38.87)	
Decrease in Accounts Receivable	116.33	
Increase in Due from State ECB	(81,314.29)	
Increase in Prepaid Expense	(809.48)	
Increase in Accounts Payable	10,280.10	
Net Cash Provided by Operating Activities		$ (25,132.12)

The Accompanying notes are in integral part of the financial statements

MORGAN COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 – Summary of Significant Accounting Policies

The Morgan County E-911 Emergency Communication District was established for the purpose of providing an enhanced level of 911 service to the Morgan 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. It is a component unit of Morgan County. The Morgan County E-911 Emergency Communications District is run by a board of directors, which is appointed by Morgan County. The District must file a budget with Morgan County each year. Any bond issued by the district is subject to approval by Morgan County.

The District uses the accrual basis of accounting and the economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when incurred. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board. As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Board has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989.

Depreciation – Depreciation is computed at rates designed to amortize the cost of the individual assets over their useful lives. Depreciation begins when the fixed assets are placed in service. Depreciation is summarized as follows:

	Method	Estimated Useful Life	2009 Depreciation
Communications Equipment	S/L	5, 7 & 10 Years	$32,455.13
Office Equipment	S/L	5, 7 & 10 Years	4,577.17
Vehicle	S/L	5 Years	--
Construction in Progress	N/A	N/A	--
Land	N/A	N/A	--
			$37,032.30

Major Source of Revenue

The major sources of operating revenue are emergency telephone service charges from local telephone companies and wireless surcharges and operational funding from the State Emergency Communications Board. The only non-operating revenue is interest and grants and reimbursements from the State Emergency Communications Board.

Operating Income

Operating income includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first.

Note 2 – Deposits and Investments

The Tennessee Government Code requires Tennessee banks and savings and loan associations to secure a governmental entity's deposits by pledging government securities as collateral. The market value of pledged securities must equal 105% of the entity's deposits. The entity may waive collateral requirements for deposits that are fully insured up to $100,000 by the Federal Deposit Insurance Corporation (FDIC) or Savings Association Insurance Fund (SAIF).

The following is a schedule of bank accounts at June 30, 2009:

Checking – Citizen's First Bank	$320,064.26
CD – Citizen's First Bank (3 month)	56,815.14
CD – Citizen's First Bank (5 month)	55,304.36
	$432,183.76

At June 30, 2009, the carrying amount of the Morgan County E – 911 Emergency Communications District's cash deposits was $432,183.76. The District's deposit accounts are covered up to $250,000 by the Federal Deposit Insurance Corporation. Any amounts over $250,000 are covered by the government collateralization pool of which Citizen's First Bank is a member. The District is authorized to deposit and invest funds according to the provisions of Section 5-8-301 of the Tennessee Code Annotated. [Acts 1992, ch. 891, sct 10].

Note 3 – Bonding and Insurance

The District has a bond covering certain members of the board at June 30, 2009. They also have a general liability policy that covers all fixed assets. There have been no losses or settlements during the past three years.

Note 4 – Fixed Assets

The following is a schedule of equipment at June 30, 2009:

Assets	Cost	Accumulated Depreciation	Net
Non-Depreciable			
Land	$ 90,000.00	$ --	$ 90,000.00
Construction in Progress	1,350,223.47	--	1,350,223.47
Total Non-Depreciable	1,440,223.47	--	1,440,223.47
Depreciable			
Communications Equip.	$ 268,399.24	$ 99,993.60	$ 168,405.64
Office Equipment	19,809.58	14,879.12	4,930.46
Vehicle	21,888.00	21,888.00	--
Total Depreciable	310,096.82	136,760.72	173,336.10
Total Assets	$1,750,320.29	$136,760.72	$1,613,559.57

Assets	Balance 6-30-08	Additions	Retirements	Balance 6-30-09
Non-Depreciable				
Land	$ 90,000.00	$ --	$ --	$ 90,000.00
Construction in Progress	59,821.43	1,290,402.04	--	1,350,223.47
Total Non-Depreciable	149,821.43	1,290,402.04	--	1,440,223.47
Depreciable				
Communications Equip.	$254,639.62	$ 13,759.62	$ --	$ 268,399.24
Office Equipment	24,457.45	--	4,647.87	19,809.58
Vehicle	21,888.00	--	--	21,888.00
Total Depreciable	300,985.07	13,759.62	4,647.87	310,096.82
Total Assets	$450,806.50	$1,304,161.66	$ 4,647.87	$1,750,320.29

Note 5 – Cash and cash equivalents

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions.

Note 6 – Accounts Receivable/Due from State Emergency Communications Board

Accounts Receivable:	
Bell South	$ 1,300.46
Due From State ECB:	
State ECB	89,364.26
Total	$90,664.72

Note 7 – Compensated Absences
There were no employees at June 30, 2009.

Note 8 – Calculation of Invested in Capital Assets, Net of Related Debt

Net Book Value	$1,613,559.57
Current & Noncurrent Debt	<1,276,190.92>
Invested in Capital Assets, Net of Related Debt	$ 337,368.65

Note 9 – Budgetary Information
As stated in Note 1, the District must file a budget with Morgan County each year which must be legally adopted by the County. The budget is prepared on the accrual basis of accounting. Compliance with the legally adopted is required at the program level as well as the object level.

Note 10 – Construction Loan
On July 31, 2008 the District opened a 12-month construction loan at Citizen's First Bank in the amount of $1,500,000. As of June 30, 2009 the District has drawn $1,276,190.92 of the original $1,500,000. The District owes no payments on principal or interest until the note is called due on July 31, 2009. In the meantime, the District applied for a $1,500,000 bond with USDA. The bond was approved on August 1, 2009 in the amount of $1,500,000 to be paid over 38 years at an interest rate of 4.25%. Monthly payments are to be made at $6,645/month starting August 1, 2009.

MORGAN COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance Under (Over)
Operating Revenue			
ETSC	$ 145,693.70	$ 150,000.00	$ 4,306.30
State-Wireless	51,320.20	47,000.00	(4,320.20)
State-Operational Funding Program	86,168.76	86,169.00	0.24
Other Operating Income	13.23	50.00	36.77
Total Operating Revenue	$ 283,195.89	$ 283,219.00	$ 23.11
Operating Expenses			
Contracted Services			
Audit Services	1,750.00	1,750.00	-
Acct. Services	5,000.00	5,000.00	-
Contracts w/ Morgan Co.	100,438.56	101,000.00	561.44
Fees Paid to Service Providers	12,750.34	13,000.00	249.66
Legal Services	6,600.00	6,600.00	-
Maintenance Agreements	6,388.48	7,000.00	611.52
Lease/Rental			
Building & Facilities	2,740.50	2,750.00	9.50
Maintenance & Repairs			
Communications Equipment	24,929.23	25,000.00	70.77
Building & Facilities	969.63	1,500.00	530.37
Office Equipment	2,372.21	3,000.00	627.79
Vehicle	821.87	1,500.00	678.13
Other Contracted Services			
Director	12,600.00	12,600.00	-
Admin. Personnel	10,000.44	10,001.00	0.56
Add. & Mapping Expense	2,435.00	3,000.00	565.00
Total Contracted Services	$ 189,796.26	$ 193,701.00	$ 3,904.74
Supplies & Materials			
Office Supplies	1,175.42	2,000.00	824.58
Postage	216.80	500.00	283.20
Small Equip. Purchase	2,432.61	3,000.00	567.39
Uniforms & Shirts	3,048.00	4,000.00	952.00
Utilities			
Gas, Electric & Water	29.88	1,000.00	970.12
Telephone	2,527.55	3,100.00	572.45
Cell Phone	1,535.23	2,000.00	464.77
Fuel-Vehicle	2,267.03	3,000.00	732.97
Total Supplies & Materials	$ 13,232.52	$ 18,600.00	$ 5,367.48

MORGAN COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
BUDGET AND ACTUAL-CONT'D
FOR THE YEAR ENDED JUNE 30, 2009

Other Charges			
Banks Charges	$ 88.00	$ 150.00	$ 62.00
Board Meeting Expense	863.09	1,200.00	336.91
Dues & Memberships	288.00	450.00	162.00
Insurance-Liability	11,090.24	12,000.00	909.76
Legal Notices	385.86	600.00	214.14
Premiums on Surety Bonds	289.80	300.00	10.20
Training	3,119.00	4,000.00	881.00
Travel	16,321.57	17,000.00	678.43
Training Program	328.98	1,000.00	671.02
Miscellaneous	758.48	1,400.00	641.52
Total Other Charges	$ 33,533.02	$ 38,100.00	$ 4,566.98
Depreciation	$ 37,032.30	$ 40,000.00	$ 29,327.97
Total Operating Expenses	$ 273,594.10	$ 290,401.00	$ 43,167.17
Operating Income (Loss)	$ 9,601.79	$ (7,182.00)	$ (43,144.06)
Nonoperating Revenues and (Expenses)			
State ECB-Grants & Reimbursements	106,167.50	50,000.00	(56,167.50)
Interest Income	3,140.29	3,100.00	(40.29)
Loss on Disposal of Property	(2,179.28)	(2,500.00)	(320.72)
Interest Expense	(24,743.25)	(35,399.00)	(10,655.75)
Total Nonoperating Revenue and (Expenses)	$ 82,385.26	$ 15,201.00	$ (67,184.26)
Increase (Decrease) in Net Assets	$ 91,987.05	$ 8,019.00	$ (110,328.32)
Net Assets-Beginning of Period	$ 700,694.94	$ 700,694.94	$ -
Net Assets-End of Period	$ 792,681.99	$ 708,713.94	$ (110,328.32)

MORGAN COUNTY E-911
EMERGENCY COMMUNICATION DISTRICT
SCHEDULE OF INFORMATION REQUIRED BY THE TENNESSEE EMERGENCY COMMUNICATION BOARD
JUNE 30, 2009

Number of public safety answering points:	1
Address:	122 South Kingston St. Wartburg, TN 37887
Type of System/Equipment:	Positrone, maintained by Bell South
Type of Database:	Stand Alone
Coordinator:	Larry Potter 787 Catossa Road Wartburg, TN 37887 Phone: (423) 346-6602 Fax: (423) 346-7444
Chairman:	Bill Hunter 173 Hunter Rd Box 27 Rugby, TN 37733 Phone: (423) 628-2080

MORGAN COUNTY E – 911
EMERGENCY COMMUNICATIONS DISTRICT
911 BOARD MEMBERS
JUNE 30, 2009

Lawrence Potter (Director)
787 Catossa Road
Wartburg, TN 37887
Phone: (423) 346-3555

Bill Hunter (Chairman)
173 Hunter Rd
Box 27
Rugby, TN 37733
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E-Mail: kascarrol@yahoo.com

Roy Shelton
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Oakdale, TN 37829
Phone: (423) 369-3912

Melvin Howard
194 Melvin Howard Rd.
Lancing, TN 37770
Phone: (423) 346-3174

Paula Langley (Addressing)
220 Andy Cooper Rd.
Lancing, TN 37770
Phone: (423) 346-7582

Mike Mahn (Counsel)
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Chattanooga, TN 37421
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Don Redmon (Treasurer)
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Wartburg, TN 37887
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Dennis Ledbetter
201 Cassell Rd.
Wartburg, TN 37887
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Paul Potter
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Sandra Harris (Secretary)
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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*

To the Board of Directors of the
Morgan County E-911 Emergency Communications District
Wartburg, Tennessee

I have audited the financial statements of Morgan County Emergency Communications District as of and for the year ended June 30, 2009, and have issued my report thereon dated December 29, 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 Morgan County Emergency Communications District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Morgan County Emergency Communications District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Morgan County Emergency Communications District's 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 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 Morgan County 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 Morgan County Emergency Communications District's financial statements that is more than inconsequential will not be prevented or detected by Morgan County Emergency Communications District's internal control.

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 Morgan County Emergency Communications District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not be necessarily identify all deficiencies in the 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 Morgan County Emergency Communications District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the management and federal awarding agencies and pass-through entities and the State of Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

December 29, 2009
Cookeville, Tennessee

Tamara L. Beckman, CPA