

**OBION COUNTY  
EMERGENCY COMMUNICATIONS DISTRICT**

**FINANCIAL STATEMENTS**

**June 30, 2009**

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
TABLE OF CONTENTS**

**Introductory Section**

Schedule of Officials ..... 1

**Financial Section**

Independent Auditor's Report..... 2  
Statement of Net Assets..... 4  
Statement of Revenues, Expenses and Changes in Net Assets..... 5  
Statement of Cash Flows ..... 6  
Notes to Financial Statements ..... 7

**Supplementary Information Section**

Budgetary Comparison Schedule..... 11  
Schedule of Federal and State Grant Activity..... 13  
Schedule of Information Required by the Tennessee Emergency  
Communications Board - Unaudited..... 14

**Internal Control and Compliance Section**

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  
Schedule of Findings..... 17  
Summary Schedule of Prior Findings ..... 18

## **INTRODUCTORY SECTION**

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

**Board Members**

Mark Watson – Chairman

Bob Reavis – Vice-Chairman

Harold Jenkins – Treasurer

Polk Glover – Secretary

Dan Boykin  
Kathy Forrester  
John Horner  
Tim Partin  
Kenny Thurmond

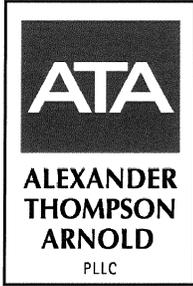
**Management Official**

Sherri Hanna – Executive Director

**Independent Certified Public Accountants**

Alexander Thompson Arnold PLLC  
Union City, Tennessee

## **FINANCIAL SECTION**



Certified Public Accountants

624 East Reelfoot Avenue  
Union City, TN 38261

Telephone: (731) 885-3661  
(800) 273-3240  
Fax: (731) 885-6909

Members of:

American Institute of Certified Public Accountants  
Governmental Audit Quality Center - AICPA  
Tennessee Society of Certified Public Accountants  
Center for Public Company Audit Firms  
Employee Benefit Plan Audit Quality Center - AICPA

[www.atacpa.net](http://www.atacpa.net)

## Independent Auditor's Report

Board of Directors  
Obion County Emergency Communications District  
Union City, Tennessee

We have audited the accompanying financial statements of the Obion County Emergency Communications District, a component unit of Obion 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.

As discussed in Note 1, the financial statements present only the Obion County Emergency Communications District and are not intended to present fairly the financial position of Obion County, Tennessee, and the results of its operations and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Obion 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 September 10, 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 should be considered in assessing the results of our audit.

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

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

Board of Directors  
Obion County Emergency Communications District

The Obion 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 basic financial statements of the Obion County Emergency Communications District. The introductory section and supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedule and schedule of federal and state grant activity have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and 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  
September 10, 2009

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**STATEMENT OF NET ASSETS**  
June 30, 2009

**Assets**

Current assets:

|                             |  |                |
|-----------------------------|--|----------------|
| Cash                        |  | \$ 48,501      |
| Investments                 |  | 328,355        |
| Accounts receivable         |  | 15,017         |
| Due from other governments  |  | 63,189         |
| Prepaid expenses            |  | <u>30,075</u>  |
| <b>Total current assets</b> |  | <b>485,137</b> |

Noncurrent assets:

Capital assets

|                                      |                  |                       |
|--------------------------------------|------------------|-----------------------|
| Office equipment and furniture       | 147,081          |                       |
| Vehicles                             | 14,617           |                       |
| Communications and mapping equipment | 577,945          |                       |
| Building and improvements            | <u>349,606</u>   |                       |
| <b>Total capital assets</b>          | <b>1,089,249</b> |                       |
| Accumulated depreciation             | <u>(378,035)</u> |                       |
| <b>Net capital assets</b>            |                  | <b><u>711,214</u></b> |

|                     |  |                  |
|---------------------|--|------------------|
| <b>Total assets</b> |  | <b>1,196,351</b> |
|---------------------|--|------------------|

**Liabilities**

Current liabilities:

|                  |  |              |
|------------------|--|--------------|
| Accounts payable |  | <u>8,041</u> |
|------------------|--|--------------|

**Net assets**

|                            |                |                            |
|----------------------------|----------------|----------------------------|
| Invested in capital assets | 711,214        |                            |
| Unrestricted               | <u>477,096</u> |                            |
| <b>Total net assets</b>    |                | <b><u>\$ 1,188,310</u></b> |

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

**Operating revenue**

|   |                |
|---|----------------|
| Emergency telephone service charge                            | \$ 167,903     |
| State Emergency Communications Board - shared wireless charge | 84,721         |
| State Emergency Communications Board - operational funding    | <u>104,081</u> |
| Total operating revenue                                       | 356,705        |

**Operating expenses**

|                                |                |                 |
|--------------------------------|----------------|-----------------|
| Salaries and wages             | 192,641        |                 |
| Employee benefits              | 26,254         |                 |
| Contracted services            | 42,891         |                 |
| Supplies and materials         | 17,235         |                 |
| Other charges                  | 19,724         |                 |
| Depreciation and amortization  | <u>101,344</u> |                 |
| Total operating expenses       |                | <u>400,089</u>  |
| <b>Operating income (loss)</b> |                | <b>(43,384)</b> |

**Non-operating income**

|                            |               |                |
|----------------------------|---------------|----------------|
| Interest income            | 12,061        |                |
| State grants               | 10,000        |                |
| FEMA grant                 | 1,431         |                |
| State reimbursements       | <u>14,918</u> |                |
| Total non-operating income |               | <u>38,410</u>  |
| <b>Net income (loss)</b>   |               | <b>(4,974)</b> |

|                            |                            |
|----------------------------|----------------------------|
| Net assets - July 1, 2008  | <u>1,193,284</u>           |
| Net assets - June 30, 2009 | <u><b>\$ 1,188,310</b></u> |

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

|   |           |                             |
|---|-----------|-----------------------------|
| <b>Cash flows from operating activities</b>                         |           |                             |
| Cash received from customers  |           | \$ 320,891                  |
| Cash payments to suppliers for goods and services                   |           | (106,249)                   |
| Cash payments to employees for services                             |           | <u>(192,641)</u>            |
| Net cash provided by operating activities                           |           | 22,001                      |
| <br><b>Cash flows from capital and related financing activities</b> |           |                             |
| Purchase of property, plant and equipment                           | (29,620)  |                             |
| State grants  | 10,000    |                             |
| FEMA grant  | 920       |                             |
| Net cash used by capital and related financing activities           |           | <u>(18,700)</u>             |
| <br><b>Cash flows from investing activities</b>                     |           |                             |
| Purchase of investments   | (120,000) |                             |
| Maturities of investments   | 74,792    |                             |
| Interest earned on investments                                      | 12,061    |                             |
| Net cash used by investing activities                               |           | <u>(33,147)</u>             |
| <br><b>Net decrease in cash</b>                                     |           | <br><b>(29,846)</b>         |
| <br>Cash - July 1, 2008   |           | <br><u>78,347</u>           |
| <br><b>Cash - June 30, 2009</b>                                     |           | <br><b><u>\$ 48,501</u></b> |

**Reconciliation of operating income (loss) to net cash provided by operating activities**

|  |              |                             |
|--|--------------|-----------------------------|
| Operating income (loss)  |              | \$ (43,384)                 |
| <i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities</i> |              |                             |
| Depreciation and amortization  | 90,729       |                             |
| Decrease in accounts receivable  | 11,946       |                             |
| Increase in due from other governments   | (47,760)     |                             |
| Decrease in prepaid expenses   | 10,614       |                             |
| Decrease in accounts payable   | <u>(144)</u> |                             |
| Total adjustments  |              | <u>65,385</u>               |
| <br><b>Net cash provided by operating activities</b>   |              | <br><b><u>\$ 22,001</u></b> |

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

**NOTE 1 – Significant Accounting Policies**

**A. Reporting Entity**

The Obion County Emergency Communications District was created on May 16, 1988, by the legislative body of Obion 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*.

In evaluating how to define the Obion 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 District must obtain the approval of the Obion County 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 Obion County.

The District is deemed to be a municipality under Tennessee state law and, as such, is exempt from federal income taxes.

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

The Obion County Emergency Communications District accounts for its financial position and results of operations in accordance with generally accepted accounting principles for proprietary funds as defined in the statements of the Governmental Accounting Standards Board (GASB). 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 GASB 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.

**C. 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.

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

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.

**Accounts receivable**

Accounts receivable represents amounts due from various phone companies.

**Capital assets**

All capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 30 years. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. For the year under review, there were no interest costs capitalized.

**Compensated absences**

Employees are entitled to paid vacation based on term of employment and other factors. Any accumulated vacation time earned must be taken within one year of the employment anniversary date; no carryover to future years is permitted. Due to this policy, the cost of future absences at the balance sheet date is not material, and therefore, no accrual has been recorded in the financial statements. It is the District's practice to expense these costs when paid to the employees.

**Net assets**

Equity is classified as net assets and displayed in the following components:

- 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.
- Unrestricted – all other net assets that do not meet the description of the above category.

**NOTE 2 – Detailed Notes on Accounts**

**A. Deposits and investments**

**Custodial Credit Risk** – The District's policies limit deposits and investments to those instruments allowed by applicable state laws as 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.

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

**B. Capital assets**

Capital asset activity during the year was as follows:

| Description                            | Balance at<br>June 30, 2008 | Additions          | Disposals   | Balance at<br>June 30, 2009 |
|--|-----------------------------|--------------------|-------------|-----------------------------|
| Capital assets, being depreciated      |                             |                    |             |                             |
| Office equipment and furniture         | \$ 141,754                  | \$ 5,327           | \$ -        | \$ 147,081                  |
| Vehicles                               | 14,617                      | -                  | -           | 14,617                      |
| Communications and mapping equipment   | 560,791                     | 17,154             | -           | 577,945                     |
| Building and improvements              | 342,467                     | 7,139              | -           | 349,606                     |
| Total capital assets being depreciated | <u>1,059,629</u>            | <u>29,620</u>      | <u>-</u>    | <u>1,089,249</u>            |
| Less accumulated depreciation          |                             |                    |             |                             |
| Office equipment and furniture         | 31,612                      | 16,355             | -           | 47,967                      |
| Vehicles                               | 14,617                      | -                  | -           | 14,617                      |
| Communications equipment               | 237,156                     | 47,468             | -           | 284,624                     |
| Building and improvements              | 18,887                      | 11,940             | -           | 30,827                      |
| Total accumulated depreciation         | <u>302,272</u>              | <u>75,763</u>      | <u>-</u>    | <u>378,035</u>              |
| Total capital assets, net              | <u>\$ 757,357</u>           | <u>\$ (46,143)</u> | <u>\$ -</u> | <u>\$ 711,214</u>           |

Depreciation expense for the year ended June 30, 2009, was \$75,763.

**NOTE 3 – Stewardship, Compliance, and Accountability**

**Budgetary Information**

The District's Board of Directors approves an appropriatory budget annually. The budgetary basis statement of revenue and expenses differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that interest income and operating expenses are budgeted on the cash basis, rather than the accrual basis. A reconciliation of budgetary basis to GAAP basis is presented below.

|                                      |                   |
|--------------------------------------|-------------------|
| Net income (loss) -- budgetary basis | \$ (5,731)        |
| Interest income accrued              | 2,332             |
| Expenses accrued                     | <u>(1,575)</u>    |
| Net income (loss) -- GAAP basis      | <u>\$ (4,974)</u> |

The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds. For the year ended June 30, 2009, the only expense that exceeded the budgeted amount was amortization, a non-cash expense.

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

**NOTE 4 – Other Information**

**A. Commitments**

The Obion County Communications District signed a three year prepaid lease agreement for communication equipment in April of 2006 with BellSouth for \$59,864. The lease was amortized using the straight-line method over the term of the lease. As of June 30, 2009, no long-term lease agreement was in effect; the District was making a month-to-month lease payment. Amortization expense for the year ended June 30, 2009, was \$14,966.

**B. Risk Management**

The District is exposed to various risks related to general and public official's liability, officer's/director's omissions liability, automobile liability, property and casualty losses and workers' compensation. To cover these risks, the District joined the Tennessee Municipal League (TML), which is a public entity risk pool established to provide insurance coverage to local governments in Tennessee and is self-sustaining through member premiums. The pool is a cooperative risk sharing arrangement that works in many ways like a traditional insurer. The District pays annual premiums to the Pool based on its prior claims history. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. In addition, the District has purchased commercial insurance to provide for employee health insurance. Settlements have not exceeded insurance coverage in any of the prior three years.

**C. Unemployment Taxes**

Effective for the quarter ended June 30, 1989, the Obion County Emergency Communications District agreed with the Tennessee Department of Labor and Workforce Development to be a reimbursing employer. Under this agreement, the District elected to reimburse the Department for all disbursements made on valid claims for unemployment insurance charged to the District during the effective period of the election. Current claims are being paid from the operating account and charged to unemployment expense. In order to fund future claims, amounts calculated quarterly were deposited into a savings account until the Board determined that the account was fully funded. All quarterly deposits were suspended and the funds were invested in a certificate of deposit. At June 30, 2009, the balance of this investment was \$19,198.

## **SUPPLEMENTARY INFORMATION SECTION**

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

|                                    | <u>Original<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual<br/>Budgetary<br/>Basis</u> | <u>Variance<br/>Over<br/>(Under)</u> |
|------------------------------------|----------------------------|---------------------------|---------------------------------------|--------------------------------------|
| <b>Operating revenue</b>           |                            |                           |                                       |                                      |
| Emergency telephone service charge | \$ 164,900                 | \$ 166,950                | \$ 167,903                            | \$ 953                               |
| TECB - shared wireless charge      | 70,000                     | 78,000                    | 84,721                                | 6,721                                |
| TECB - operational funding         | <u>104,080</u>             | <u>104,080</u>            | <u>104,081</u>                        | <u>1</u>                             |
| Total operating revenue            | <u>338,980</u>             | <u>349,030</u>            | <u>356,705</u>                        | <u>7,675</u>                         |
| <b>Operating expenses</b>          |                            |                           |                                       |                                      |
| Salaries and wages                 |                            |                           |                                       |                                      |
| Director                           | 37,000                     | 37,000                    | 36,952                                | (48)                                 |
| Dispatchers                        | 146,000                    | 150,500                   | 146,045                               | (4,455)                              |
| Administrative personnel           | 30,000                     | 9,700                     | 9,644                                 | (56)                                 |
| Employee benefits                  |                            |                           |                                       |                                      |
| Social security                    | 13,250                     | 12,500                    | 11,493                                | (1,007)                              |
| Medicare                           | 3,100                      | 3,100                     | 2,681                                 | (419)                                |
| Unemployment                       | 1,500                      | 6,500                     | 5,348                                 | (1,152)                              |
| Life insurance                     | 500                        | 500                       | 185                                   | (315)                                |
| Medical insurance                  | 10,000                     | 8,000                     | 6,562                                 | (1,438)                              |
| Supplementary insurance            | -                          | -                         | (15)                                  | (15)                                 |
| Contracted services                |                            |                           |                                       |                                      |
| Advertising                        | 500                        | 500                       | 217                                   | (283)                                |
| Audit services                     | 3,000                      | 3,000                     | 2,925                                 | (75)                                 |
| Accounting services                | 2,500                      | 2,500                     | 2,244                                 | (256)                                |
| Fees paid to service providers     | 26,000                     | 31,000                    | 27,152                                | (3,848)                              |
| Maintenance agreement              | 1,500                      | 1,700                     | 1,415                                 | (285)                                |
| Investigation services             | -                          | 2,000                     | 1,775                                 | (225)                                |
| Pest control                       | 400                        | 400                       | 360                                   | (40)                                 |
| Lease/Rental:                      |                            |                           |                                       |                                      |
| Building rental                    | 660                        | 700                       | 605                                   | (95)                                 |
| Office equipment                   | 350                        | -                         | -                                     | -                                    |
| Maintenance and repairs            |                            |                           |                                       |                                      |
| Communications equipment           | 1,000                      | 1,000                     | 487                                   | (513)                                |
| Building and facility              | 600                        | 3,000                     | 2,167                                 | (833)                                |
| Office equipment                   | 500                        | 250                       | 148                                   | (102)                                |
| Vehicle                            | 1,500                      | 1,000                     | 647                                   | (353)                                |
| Other contracted services          |                            |                           |                                       |                                      |
| Mowing                             | 1,100                      | 900                       | 725                                   | (175)                                |
| Supplies and materials             |                            |                           |                                       |                                      |
| Office supplies                    | 3,000                      | 3,700                     | 3,260                                 | (440)                                |
| Custodial supplies                 | 700                        | 700                       | 458                                   | (242)                                |
| Recorder equipment                 | 600                        | 1,500                     | 1,063                                 | (437)                                |
| Postage                            | 300                        | 500                       | 386                                   | (114)                                |
| Small equipment purchases          | 250                        | 250                       | 70                                    | (180)                                |
| Uniforms/Identification badges     | 2,500                      | 100                       | 12                                    | (88)                                 |

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

|   | <u>Original<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual<br/>Budgetary<br/>Basis</u> | <u>Variance<br/>Over<br/>(Under)</u> |
|---|----------------------------|---------------------------|---------------------------------------|--------------------------------------|
| Utilities                                   |                            |                           |                                       |                                      |
| Electric                                    | 5,000                      | 8,100                     | 7,361                                 | (739)                                |
| Gas - generator                             | 2,000                      | 300                       | 199                                   | (101)                                |
| Water                                       | 325                        | 400                       | 304                                   | (96)                                 |
| General telephone                           | 3,800                      | 4,000                     | 3,562                                 | (438)                                |
| Cell phones and pagers                      | 750                        | 900                       | 766                                   | (134)                                |
| Other charges                               |                            |                           |                                       |                                      |
| Coke purchase                               | 600                        | 600                       | 509                                   | (91)                                 |
| Cable                                       | 100                        | 250                       | 65                                    | (185)                                |
| Board meeting expenses                      | 1,500                      | 1,500                     | 1,136                                 | (364)                                |
| Dues and memberships                        | 750                        | 1,300                     | 1,103                                 | (197)                                |
| Employee testing and exams                  | 1,000                      | 1,000                     | 812                                   | (188)                                |
| Insurance                                   |                            |                           |                                       |                                      |
| Workers compensation                        | 1,000                      | 1,200                     | 1,087                                 | (113)                                |
| Liability                                   | 5,000                      | 4,000                     | 3,596                                 | (404)                                |
| Buildings and contents                      | 2,000                      | 700                       | 472                                   | (228)                                |
| Equipment                                   | 1,000                      | 3,500                     | -                                     | (3,500)                              |
| Vehicle                                     | 500                        | 300                       | 257                                   | (43)                                 |
| Premiums on surety bonds                    | 1,500                      | 2,200                     | 1,750                                 | (450)                                |
| Public education                            | 250                        | 400                       | 269                                   | (131)                                |
| Training expenses                           | 2,000                      | 3,750                     | 3,526                                 | (224)                                |
| Travel expenses                             | 3,500                      | 5,000                     | 4,676                                 | (324)                                |
| Internet                                    | 700                        | 900                       | 803                                   | (97)                                 |
| Capital outlay                              | 30,000                     | -                         | -                                     | -                                    |
| Miscellaneous expense                       | 100                        | 100                       | (94)                                  | (194)                                |
| Amortization of prepaid maintenance expense | 9,000                      | 5,500                     | 10,615                                | 5,115                                |
| Depreciation                                | 50,000                     | 78,000                    | 75,763                                | (2,237)                              |
| Amortization of prepaid lease agreement     | 7,500                      | 11,000                    | 14,966                                | 3,966                                |
| Total operating expenses                    | <u>418,185</u>             | <u>417,400</u>            | <u>398,514</u>                        | <u>(18,886)</u>                      |
| <b>Operating income (loss)</b>              | <b><u>(79,205)</u></b>     | <b><u>(68,370)</u></b>    | <b><u>(41,809)</u></b>                | <b><u>26,561</u></b>                 |
| <b>Non-operating income</b>                 |                            |                           |                                       |                                      |
| Interest income                             | 12,000                     | 11,000                    | 9,729                                 | (1,271)                              |
| FEMA grant                                  | -                          | 900                       | 1,431                                 | 531                                  |
| GIS Mapping Grant                           | 10,000                     | 10,000                    | 10,000                                | -                                    |
| State reimbursement programs                | -                          | 14,000                    | 14,918                                | 918                                  |
| <b>Total non-operating income</b>           | <u>22,000</u>              | <u>35,900</u>             | <u>36,078</u>                         | <u>178</u>                           |
| <b>Net income (loss)</b>                    | <b><u>\$ (57,205)</u></b>  | <b><u>\$ (32,470)</u></b> | <b><u>\$ (5,731)</u></b>              | <b><u>\$ 26,739</u></b>              |

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF FEDERAL AND STATE GRANT ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2009**

| <u>Grantor Agency/<br/>Pass-through Entity/<br/>Program Name</u>   | <u>CFDA<br/>Number</u> | <u>Grant Number</u>              | <u>Balance<br/>July 1, 2008</u> | <u>Receipts</u> | <u>Disbursements</u> | <u>Balance<br/>(Receivable)<br/>June 30, 2009</u> |
|--|------------------------|----------------------------------|---------------------------------|-----------------|----------------------|---|
| Federal Emergency Management Agency/<br>Tennessee Emergency Management Agency/<br>Presidential Declaration No. FEMA-1821-DR-TN | 97.036                 | Federal portion<br>State portion | \$ --<br>--                     | \$ 920<br>--    | \$ 1,227<br>204      | \$ (307)<br>(204)                                 |
|  |                        |                                  | --                              | 920             | 1,431                | (511)   |
| Tennessee Emergency Communications Board   | n/a                    | DG-03-01821                      | --                              | 10,000          | 10,000               | --  |
|  |                        |                                  | \$ --                           | \$ 10,920       | \$ 11,431            | \$ (511)  |

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

At June 30, 2009, the Obion 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:

Address:           426 S. Home St.  
                      Union City, TN 38261

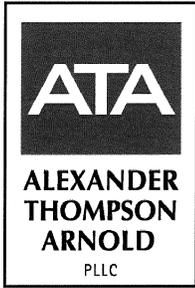
Equipment:       Positron

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

Executive Director:           Sherri Hanna  
                                      426 S. Home St.  
                                      Union City, TN 38261  
                                      Tel. (731) 885-3316  
                                      Fax (731) 885-9455

Chairman of the Board:       Mark Watson  
                                      426 S. Home St.  
                                      Union City, TN 38261  
                                      Tel. (731) 885-3316  
                                      Fax (731) 885-9455

**INTERNAL CONTROL AND COMPLIANCE SECTION**



Certified Public Accountants

624 East Reelfoot Avenue  
Union City, TN 38261

Telephone: (731) 885-3661  
(800) 273-3240  
Fax: (731) 885-6909

Members of:

American Institute of Certified Public Accountants  
Governmental Audit Quality Center - AICPA  
Tennessee Society of Certified Public Accountants  
Center for Public Company Audit Firms  
Employee Benefit Plan Audit Quality Center - AICPA

[www.atacpa.net](http://www.atacpa.net)

**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  
Obion County Emergency Communications District  
Union City, Tennessee

We have audited the financial statements of the Obion County Emergency Communications District (a component unit of Obion County, Tennessee) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 10, 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 Obion 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings as items 97-1 and 09-1 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Board of Directors  
Obion County Emergency Communications District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Obion 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Obion County Emergency Communications District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit Obion County Emergency Communications District's responses and, accordingly, we express no opinion on them.

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  
September 10, 2009

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS  
June 30, 2009**

***Significant Deficiencies***

**97-1 Segregation of Duties**

Condition: Due to the size of the staff, the Obion County Emergency Communications District could not fully segregate the record-keeping, custodial and authorization functions of its internal accounting controls for the year ended June 30, 2009.

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 auditors recognize that staff size, due to funding limitations, is not adequate to fully segregate the functions mentioned above, management needs to be aware that this limitation does exist in the District's internal accounting controls.

Response: *The Obion County Emergency Communications District has segregated the internal control functions as much as possible to ascertain the integrity of all the financial records. We have a small staff employed, and it is financially infeasible for us to increase its size. We have, however, put into place additional controls regarding the handling of funds which are received in our office.*

**09-1 Surety Bond Requirements**

Condition: The amounts of the surety bonds held by the Obion County Emergency Communications District at June 30, 2009, were less than 10 percent of the handled revenue for the year ended June 30, 2009.

Criteria: Tennessee Code Annotated (TCA), Title 7, Chapter 86 requires any authorized person of an emergency communications district who receives public funds, has authority to make expenditures from public funds, or has access to any public funds to give bond made payable to the State of Tennessee. The required amount of the bonds is determined as a percentage of revenues handled by the district during the last audit approved by the comptroller of the treasury. For districts handling from \$50,000 to \$500,000 in revenues, the required surety bond amount is 10 percent of the revenues handled by the district.

Effect: The District is not in compliance with the requirements concerning surety bonds.

Recommendation: We recommend that the District carefully monitor its revenues to ensure that all required staff and officials are adequately bonded.

Response: *The Obion County Emergency Communications District increased its bonding to \$48,198 per bond with anticipated revenues of less than \$480,000. The Tennessee Emergency Communications Board began a new training reimbursement program which was not anticipated when the bonds were made. This reimbursement was over \$14,000 and caused the income to be over the level for which the District was bonded. The District will review the bonding levels to determine if an increase is warranted for the current fiscal year.*

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
SUMMARY SCHEDULE OF PRIOR FINDINGS  
June 30, 2009**

**DISPOSITION OF PRIOR YEAR FINDINGS**

- 97-1 Segregation of duties – repeated
- 07-2 Budget amendments – corrected