POLK COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

TWELVE MONTHS ENDED JUNE 30, 2009

POLK COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

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June 30, 2009

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POLK COUNTY E-911
PO BOX 911
Ocoee, TN 37361

Phone: (423) 338-1090 E-Mail: polkaddressing@comcast.net Fax: (423) 338-1091

CARE OF: MAEGAN BALLEW- ADMINISTRATIVE ASSISTANT

Management's Discussion and Analysis

Our discussion and analysis of the Polk County 911 Emergency Communications District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2009. This should be read in conjunction with the District's financial statements, which may be found elsewhere in this document.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and statement of revenues, expenses and changes in net assets provide information about the activities of the District as a whole and present an overview of the District's finances.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

One of the most important questions asked about any entity's finances is: "How did the District do financially this year?" The statement of net assets and statement of revenues, expenses and changes in net assets report information in a way that helps answer this question. These statements include all assets and liabilities using accrual basis accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in net assets. Net assets -- the difference between assets and liabilities -- are one way to measure the District's financial health, or its financial position. Over time, increases or decreases to the District's net assets are an indicator of whether its financial health is improving or deteriorating. An analysis of net assets and changes in net assets is as follows:

	2009	2008
Net Assets		
Current and other assets	$ 452,174	$ 391,767
Capital assets	165,477	177,723
Total assets	617,651	569,490
Current liabilities	(4,770)	(12,470)
Net Assets	$ 612,881	$ 557,020
Summary of net assets - Invested in capital assets	$ 165,477	$ 177,723
Unrestricted	447,404	379,297
Total Net Assets	$ 612,881	$ 557,020
Change in Net Asseets		
Operating revenues	$ 189,177	$ 171,005
Operating expenses	155,831	163,824
Operating income	33,346	7,181
Non-operating income	22,515	125,424
Change in Net Assets	55,861	132,605
Net Assets - beginning	557,020	424,415
Net Assets - ending	$ 612,881	$ 557,020

Analysis of Financial Position and Results of Operations

The District's net assets have increased by $55,861 over the previous year. Revenue declined 28.59% primarily due to TECB grant & reimbursement for controller not received this fiscal year. Operating expenditures were down 4.88% due to expenses associated with relocation of the Polk County Jail not required this fiscal year.

The District's Net Assets

The District completed the year with net assets of $612,881 an increase of $55,861 over the previous year.

Budgetary Highlights

The actual charges to expenses were $13,882 below the final budgeted amount. Contracted services costs were under the amount budgeted by $12,697, due to the administrative assistant receiving an increase that was not in effect for the whole year and expenses for data processing services less than anticipated. Other budget variances are not considered significant and, therefore, not addressed here.

Actual revenues, in total exceeded budgeted revenues by $29,342, with operating revenues being over budget by $25,177 and TECB grants and reimbursements being over budget by $4,165.

Capital Assets

At the end of the accounting period, The District had $165,477 in capital assets such as communications and office equipment, leasehold improvements. This amount represents a decrease of $12,246 or 6.89%. The decrease is due to current year depreciation.

Financial Activity and Plans for Future Needs

The Polk County Emergency Communications District invested in system upgrades and completed the renovation of the Ducktown PSAP.

Next fiscal year the Emergency Communications District plans to refly the county for the Pictometry mapping system. The Emergency Communications District also plans to perform a complete upgrade of all PSAP equipment and purchase data voice recorder-loggers for the Benton and Ductown PSAPs.

Steven Lofty
Chairman of the Board

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT
June 30, 2009

Steve Lofty, Chairman

Bruce Wentworth, Vice Chairman

Ruth Patton, Treasurer

Wayne Loudermilk, Member

Easter Johnston, Member

Bill Smith, Member

HARTING, BISHOP & ARRENDALE, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA
KELVIN W. BISHOP, CPA
THOMAS H. ARRENDALE, CPA, MBA

JANICE L. HAYES, CPA
CASSIE BELL, CPA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Polk County "911" Emergency Communications District (the District), a component unit of Polk County, as of and for the year ended June 30, 2009. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Polk County "911" Emergency Communications District, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2009, on our consideration of the Polk County "911" Emergency Communications 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.

1040 WILLIAM WAY, NW • CLEVELAND, TENNESSEE 37312 • (423) 472-6543 • (423) 472-6544 FAX

The management's discussion and analysis on pages 1 through 3 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on Polk County "911" Emergency Communications District's basic financial statements. The budgetary comparison schedule on pages 14 through 15 and the schedule of required information by the Tennessee Emergency Communication Board on page 16 are presented for purposes of additional analysis and is not a required part of the basic financial statements of Polk County "911" Emergency Communications District. Such information has been subjected to the audit procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Harting, Bishop & Arrendale, PLLC

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee
December 16, 2009

FINANCIAL SECTION

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS		
Current Assets		
Cash and cash equivalents	$	179,691
Cetificates of deposit		241,211
Accounts receivable		6,208
Due from Tennessee Emergency Communications Board		22,814
Accrued interest receivable		241
Prepaid expenses		2,009
Total Current Assets		452,174
Capital Assets		
Communication equipment		365,100
Furniture and fixtures		17,160
Office equipment		10,543
Leasehold improvements		43,742
		436,545
Less Accumulated Depreciation		(271,068)
Capital Assets, net		165,477
Total Assets	$	617,651
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$	4,770
Total Liabilities		4,770
Net Assets		
Invested in capital assets		165,477
Unrestricted net assets		447,404
Total Net Assets		612,881
Total Liabilities and Net Assets	$	617,651

The accompanying notes are an integral part
of this financial statement.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSESTS
For the Year Ended June 30, 2009

OPERATING REVENUES	
Emergency telephone service charge	$ 68,068
TECB - shared wireless charge	34,940
TECB - operational funding	86,169
Total Operating Revenues	189,177
OPERATING EXPENSES	
Contracted Services	
Addressing/Mapping expenses	37,201
Advertising	116
Audit services	4,000
Accounting services	8,200
Data processing service/ T Line	20,829
Fees paid to service providers	3,809
Legal services	4,200
IT consultants	3,145
Rental/Buildings facilities	1,447
Maintenance and repairs - communications equipment	6,349
Maintenance and repairs - building and facilities	367
Total Contracted Services	89,663
Supplies and Materials	
Office supplies	1,719
Postage	247
Small equipment purchases	131
Utilities - electric	2,943
Utilities - gas	208
Utilities - water and sewer	168
Utilities - general telephone	2,636
Total Supplies and Materials	8,052
Other Charges	
Board meeting expenses	367
Insurance - buildings and content	1,801
Licenses and fees	316
Premiums on surety bonds	844

(Continued on next page)
The accompanying notes are an integral part
of this financial statement.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSESTS
For the Year Ended June 30, 2009
(Continued from previous page)

Public education	$ 385
Training expenses	1,418
Travel expenses	3,207
Internet charges	1,251
Total Other Charges	9,589
Depreciation	
Depreciation expense	48,527
Total Operating Expenses	155,831
Operating Income	33,346
NON-OPERATING REVENUE	
Interest Income - Checking	313
Interest Income - Certificate of Deposit	7,627
TECB Grant & Reimbursements	14,575
Non-operating revenue	22,515
NET INCOME	55,861
Net assets, beginning	557,020
Net assets, ending	$ 612,881

The accompanying notes are an integral part
of this financial statement.

POLK COUNTY "911" 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 revenues	$ 173,535
Cash payments to suppliers for goods and services	(115,436)
Net cash provided by operating activities	58,099
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants/Reimbursements TECB	14,575
Net cash provided by noncapital financing activities	14,575
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(36,282)
Net cash used by capital and related financing activities	(36,282)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from certificate of deposits	26,290
Purchase of certificates of deposit	(7,942)
Interest income	8,256
Net cash provided by investing activities	26,604
Net increase in cash and cash equivalents	62,996
Cash and cash equivalents, beginning of year	116,695
Cash and cash equivalents, end of year	$ 179,691
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating	
Operating income	$ 33,346
Adjustments to reconcile net income (loss) to net cash provided by (used by) operating	
Depreciation expense	48,527
Change in assets and liabilities:	
Increase in accounts receivables	(15,644)
Increase in prepaid expenses	(430)
Decrease in accounts payable	(7,700)
Net cash provided by operating activities	$ 58,099

The accompanying notes are an integral part
of this financial statement.

NOTE 1 - General Information

Public Chapter No. 867 of the 1984 Tennessee Public Acts ("The Emergency Communications District Law") was enacted to establish local emergency telephone services; to provide for the funding of such services and such district; and to provide for the levying of a telephone service charge.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

As a government agency, the District is subject to standards prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of Polk County "911" Emergency Communications District are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District applies Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless they conflict with or contradict GASB Guidance.

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments which have original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fixed Assets

Expenditures for fixed assets are recorded at historical cost. Fixed assets are depreciated using the straight-line method. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Communication equipment	5-10
Furniture and fixtures	5-10
Office equipment	5-10
Leasehold improvements	15

NOTE 2 - Summary of Significant Accounting Policies (continued)

Component Unit

The Polk County "911" Emergency Communications District is a component of Polk County, Tennessee. As such, Polk County exercises significant influence over the District by having control over the appointment of the District's Board. The District must file a budget with Polk County and any bonds issued by the District are subject to approval by Polk County, Tennessee.

Budgets and Budgetary Accounting

The District is required by state statute to adopt annual budgets. As such, the District employs a formal budget integration as a management control device during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Then, the budget is legally enacted through passage of an ordinance. Expenditures may not legally exceed appropriations and any revisions authorized by the board. Appropriations lapse at the end of each fiscal year.

NOTE 3 - Cash on Deposit

The treasurer of the District is responsible for receiving, disbursing, depositing and investing the District's funds. The District's policy related to deposits and investment risk is to invest in certificates of deposit usually with a maturity of three years or less. The District's policy is designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws. All deposits with a bank or other financial institution shall be secured by collateral or in a collateral pool as allowed by state statutes. As of June 30, 2009 all deposits with financial institutions were secured by collateral. A schedule of cash and investments classified by category of credit risk at June 30, 2009 is as follows:

	Carrying Amount	Bank Balance
Cash, insured by Federal Depository Insurance (FDIC)	$ 179,691	$ 178,483
Certificates of Deposit, insured by Federal Depository Insurance (FDIC)	198,126	198,126
Certificates of Deposit, Secured by Pledged Collateral	43,085	43,085
Total	$ 420,902	$ 419,694

NOTE 4 - Accounts Receivable

The account receivable balance represents amounts due from the telephone companies' subscriber service charges at June 30, 2009.

NOTE 5 - Fixed Assets

The following is a schedule of changes to fixed assets:

	June 30, 2008	Additions	Retirements	June 30, 2009	Accumulated Depreciation June 30, 2009
Communications Equipment	$ 358,991	$ 6,109	$ -	$ 365,100	$ 263,197
Furniture and Fixtures	17,160	-	-	17,160	2,156
Office Equipment	8,248	2,295	-	10,543	2,411
Leasehold Improvements	15,864	27,878	-	43,742	3,304
Total	$ 400,263	$ 36,282	$ -	$ 436,545	$ 271,068

Provision for depreciation totaled $48,527 for the year ended June 30, 2009.

NOTE 6 - Risk Management - Claims and Insurance

Significant losses are covered by commercial insurance for property, liability, and employee dishonesty. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current or the three prior years.

NOTE 7 - Lease Commitments

The District has a Special Use Permit with the U.S. Department of Agriculture, Forest Service, for the building and land in which the District office is located. The Special Use Permit authorizes the District to use the building and land at no cost as long as the District maintains the building in compliance with the Operation and Maintenance Plan. The Special Use Permit expires on 12-31-09 and a new permit can be obtained at the discretion of the U.S. Department of Agriculture.

SUPPLEMENTARY INFORMATION

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2009

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
OPERATING REVENUES			
Emergency telephone service charge	$ 68,068	$ 62,000	$ (6,068)
TECB - shared wireless charge	34,940	30,000	(4,940)
TECB - operational funding	86,169	72,000	(14,169)
Total Operating Revenues	189,177	164,000	(25,177)
OPERATING EXPENSES			
Contracted Services			
Addressing/Mapping expenses	37,201	38,800	1,599
Advertising	116	500	384
Audit services	4,000	4,000	-
Accounting services	8,200	13,000	4,800
Data processing service/ T Line	20,829	27,000	6,171
Fees paid to service providers	3,809	2,000	(1,809)
Legal services	4,200	4,200	-
IT consultants	3,145	5,000	1,855
Rental/Buidlings facilities	1,447	660	(787)
Maintenance and repairs communication equip	6,349	4,200	(2,149)
Maintenance and repairs buildings facility	367	3,000	2,633
Total Contracted Services	89,663	102,360	12,697
Supplies and Materials			
Office supplies	1,719	1,950	231
Postage	247	100	(147)
Small equipment purchases	131	750	619
Utilities - electric	2,943	3,000	57
Utilities - gas	208	240	32
Utilities - water-sewer	168	220	52
Utilities - general telephone	2,636	3,000	364
Total Supplies and Materials	8,052	9,260	1,208

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POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2009
(Continued from previous page)

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
Other Charges			
Board meeting expenses	$ 367	$ 700	$ 333
Insurance - buildings and content	1,801	2,500	699
Licenses and fees	316	570	254
Premiums on surety bonds	844	525	(319)
Public education	385	500	115
Training expenses	1,418	2,500	1,082
Travel expenses	3,207	5,000	1,793
Internet charges	1,251	1,800	549
Total Other Charges	9,589	14,095	4,506
Depreciation			
Depreciation expense	48,527	44,000	(4,527)
Total Depreciation	48,527	44,000	(4,527)
Total Operating Expenses	155,831	169,715	13,884
Operating Income (Loss)	33,346	(5,715)	(39,061)
NON-OPERATING REVENUE			
Interest income - checking	313	750	437
Interest income - certificate of deposit	7,627	7,600	(27)
TECB grant & reimbursements	14,575	10,000	(4,575)
Total Non-Operating Revenue	22,515	18,350	(4,165)
Net Income	$ 55,861	$ 12,635	$ (43,226)

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF REQUIRED INFORMATION
June 30, 2009

1. Number of public safety answering points (PSAP)

   Two

2. Addresses of PSAP's

   Benton – 164 Industrial Access, Benton, TN 37307

   Ducktown – 398 Main Street, Ducktown, TN 37326

3. The type of system/equipment and database used by the PSAP

   Type – Positron 911/Interact Cad System/Motorola Radio
   Database – SCC/Bell South

4. Director of the Emergency Communications District

   None

5. Chairman of the Emergency Communications District

   Steven Lofty
   P.O. Box 126
   Benton, TN 37307
   423-618-0855

INTERNAL CONTROL
AND COMPLIANCE SECTION

HARTING, BISHOP & ARRENDALE, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA
KELVIN W. BISHOP, CPA
THOMAS H. ARRENDALE, CPA, MBA

JANICE L. HAYES, CPA
CASSIE BELL, CPA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE 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*

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

We have audited the financial statements of Polk County "911" Emergency Communications District, a component unit of Polk County, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 16, 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 Polk County "911" Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Polk County "911" Emergency Communications 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 over financial reporting 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 questioned costs to be significant deficiencies in internal control over financial reporting: 2009-1

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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 Polk County "911" Emergency Communications District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County "911" Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 questioned costs as items: 2009-2.

We noted certain matters that we reported to management of Polk County "911" Emergency Communications District, in a separate letter dated December 16, 2009.

Polk County "911" Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Polk County "911" Emergency Communications 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, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Harting, Bishop & Arrendale, PLLC

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee
December 16, 2009

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2009

The findings and recommendations as a result of the audit of the Polk County "911" Emergency Communications District are presented below. Finding 2009-1 and 2009-2 is repeated from the prior year ended June 30, 2008.

2009-1: Segregation of Duties

Condition and Criteria: Staff job functions should be segregated so that errors and fraud will be detected by employees in the normal course of their work, in a timely manner. The relatively small size of Polk County "911" Emergency Communications District administrative staff prevents this proper segregation of duties. Segregation of duties should be in place that allows errors and fraud to be detected by employees in the normal course of their work.

Effect: Lack of segregation of duties prevents errors and fraud to be detected by employees in the normal course of their work.

Cause: This occurred due to the small size of the District.

Recommendation: Segregation of duties should be implemented as staff size increases.

Management Response: We agree with the auditor's findings and recommendations.

2009-2: Budget

Condition and Criteria: The District is required to maintain expenditures within budget amounts. Budget line items were over expended.

Effect: District has made expenditures in excess of the amounts budgeted.

Cause: The District's accounting system did not provide timely financial and budget reports.

Recommendation: We recommend the District maintain the approved budget to ensure expenditures remain within budget.

Management Response: We agree with the auditor's findings and recommendations and have implemented a new accounting system and budget procedures to ensure expenditures are budgeted and budgets are properly amended.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2009

2008-1: Segregation of Duties

Condition and Criteria: Staff job functions should be segregated so that errors and fraud will be detected by employees in the normal course of their work, in a timely manner. The relatively small size of Polk County "911" Emergency Communications District administrative staff prevents this proper segregation of duties. Segregation of duties should be in place that allows errors and fraud to be detected by employees in the normal course of their work.

Effect: Lack of segregation of duties prevents errors and fraud to be detected by employees in the normal course of their work.

Cause: This occurred due to the small size of the District.

Recommendation: Segregation of duties should be implemented as staff size increases.

Current Status: The staff size has not increased. This finding was noted for the 2009 audit.

2008-2: Check Signing

Condition and Criteria: There was one check with only one signature on the check. Checks should be signed by two board members. This was an isolated instance.

Effect: Only one signature on check could result in fraudulent purchases made with the District funds.

Cause: Procedures for check writing not followed.

Recommendation: All checks should be signed by two board members.

Current Status: Selection of checks was reviewed and this finding did not occur in 2009.

2008-3: Budget

Condition and Criteria: The District is required to maintain expenditures within budget amounts. Budget line items were over expended.

Effect: District has made expenditures in excess of the amounts budgeted.

Cause: The District's accounting system did not provide timely financial and budget reports.

Recommendation: We recommended the District maintain the approved budget to ensure expenditures remain within budget.

Current Status: District is diligently working to improve budget amendment process to ensure all expenditures are within the approved budget line items. This finding was noted for the 2009 audit.

2008-4: Bank Account Collateral

Condition and Criteria: Bank accounts should be held at banks that are participants in the Tennessee Collateral Bond Pool and if they are not, the amounts over FDIC should be collateralized with the bank to ensure the funds of the District.

Effect: Results in funds not secured at year end.

Cause: This occurred due to placing funds in a bank that is not a participant in the Tennessee Collateral Bond Pool

Recommendation: We recommended moving funds to a bank that secures funds in excess of the FDIC limits with collateral or is a participant in the Tennessee Collateral Bond Pool.

Current Status: The recommendation was adopted. Funds remain in the bank that is not a participant in the Tennessee Collateral Bond Pool and not collateralized with the bank, but it is not over the FDIC limit. No similar findings were noted in the 2009 audit.

2008-5: Surety Bond

Condition and Criteria: There are seven Surety Bonds in place, $10,000 for each board member. There should be one Surety Bond that covers all required individuals. The minimum amount of the Surety Bond shall be determined from the amount of revenues handled by the respective emergency communications district during the last audit approved by the comptroller of the treasury. Polk County "911" Emergency Communications District should have a bond minimum of $30,000.

Effect: The separate bonds do not cover the require percentage of revenue.

Cause: This occurred due to misunderstanding of the requirement.

Recommendation: One Surety Bond should be obtained that covers all required individuals for 10% of revenues of the last approved audit.

Current Status: Each person required to be bonded now has at least the minimum bond. No similar findings were noted in the 2009 audit.