CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

CLINTON, TENNESSEE

ANNUAL FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2010

and

INDEPENDENT AUDITOR'S REPORT

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

CLINTON, TENNESSEE

ANNUAL FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2010

Table of Contents

INTRODUCTORY SECTION	Page
Schedule of Board of Directors	1
FINANCIAL SECTION	
Independent Auditor's Report	2 - 3
Required Supplementary Information:	
Management's Discussion and Analysis	4 - 6
Basic Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to Basic Financial Statements	10 - 14
Other Supplementary Information:	
Schedule of Budget vs. Actual Revenues and Expenses	15
Schedule of Detailed Expenses	16
Schedule of Telephone Surcharge Rates	17
Schedule of Insurance in Force	18
Schedule of Expenditures of State Awards	19
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*	20 - 21

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

CLINTON, TENNESSEE

SCHEDULE OF BOARD OF DIRECTORS

June 30, 2010

Members of the Board of Directors are as follows:

Archie Brummit	Chairman
Rick Scarbrough	Vice Chairman
Vickie Fagan	Secretary/Treasurer
Regina Ridenour	Secretary/Treasurer (effective 11/1/10)
Joe Roberts	Member
Randy Page	Member
Jim Sanderson	Member
Mark Alderson	Member

BROWN JAKE & McDANIEL, PC

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JAMES E. BOOHER, CPA

MEMBERS
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
City of Clinton Emergency
Communications District
Clinton, Tennessee

We have audited the accompanying statement of net assets of City of Clinton Emergency Communications District, a component unit of City of Clinton, Tennessee, as of and for the year ended June 30, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City of Clinton Emergency Communications District as of June 30, 2010, 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 December 3, 2010 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 conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of

the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying other supplementary information included on pages 15 to 19 is presented for purposes of additional analysis and is not a required part of the basic financial statement of City of Clinton Emergency Communications District. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brown Jahr & McDaniel, PA

December 3, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2010

City of Clinton Emergency Communications District (the District) follows the provisions of Statement No. 34 of the Governmental Accounting Standards Board (GASB 34). GASB 34 established standards for external financial reporting for all state and local governmental entities.

GASB 34 requires the classification of net assets, changing the statement of cash flows to the direct method, the reflection of capital contributions as a change in net assets, and the inclusion of a Management's Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.

The financial statements of the District report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about their activities.

The Statement of Net Assets include all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. The statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its fees, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting period.

Table 1

Condensed Statement of Net Assets

	June 30, 2010	June 30, 2009	Increase (Decrease)
Current and other assets	$ 48,338	$ 213,434	$ (165,096)
Capital assets	59,366	29,698	29,668
Total assets	$ 107,704	$ 243,132	$ (135,428)
Current liabilities	$ 17	$ 17,239	$ (17,222)
Long-term liabilities	-	-	-
Total liabilities	$ 17	$ 17,239	$ (17,222)
Invested in capital assets, net of related debt	$ 59,366	$ 12,938	$ 46,428
Unrestricted	48,321	212,955	(164,634)
Total net assets	$ 107,687	$ 225,893	$ (118,206)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

One way to measure financial health of a company is to look at its increases or decreases in net assets over time. Increases in net assets, in general, are signs that a company's financial health is improving. Decreases may indicate that its financial health is deteriorating. However, you will need to also consider non-financial factors such as economic conditions, service growth, and legislative mandates.

The District's total net assets decreased by $118,206 from last year as a result of revenue being lower than expenses due to an increase in expenses approved by the Board to subsidize the salaries of the dispatchers for the City.

Table 2

Statement of Revenues, Expenses and Changes in Net Assets

	For the Year Ended June 30, 2010	For the Year Ended June 30, 2009	Increase (Decrease)
Operating revenue	$ 211,357	$ 164,513	$ 46,844
Non-operating revenue	4,224	3,987	237
Total revenues	215,581	168,500	47,081
Direct operating expenses	317,816	278,054	39,762
Depreciation expense	15,971	17,374	(1,403)
Total expenses	333,787	295,428	38,359
Change in net assets	(118,206)	(126,928)	8,722
Beginning net assets	225,893	352,821	(126,928)
Ending net assets	$ 107,687	$ 225,893	$ (118,206)

As can be seen in Table 2, the change in net assets has increased by $8,722. In addition, total expenses increased $38,359 due to more expenses during the year. The total revenues increased by $47,081.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Table 3

Capital Assets, Net of Accumulated Depreciation

	June 30, 2010	June 30, 2009	Increase (Decrease)
Capital assets, net	$ 59,366	$ 29,698	$ 29,668

Fixed asset additions were as follows:

Communication equipment	$ 43,968
Office equipment	1,671
	$ 45,639

There were no significant variations from fiscal year 2010 budgeted operational expenditures and fiscal year 2010 actual operational expenditures. Fiscal year 2011 budget, approved in December 2010, contains no significant operational increases or decreases from fiscal year 2010.

This financial report is designed to provide the public and creditors with an overview of the finances of the District and to demonstrate accountability for the money received. If there are questions, comments, or requests for additional information pertaining to this report, please contact:

Regina Ridenour, Secretary/Treasurer
City of Clinton Emergency Communications District
125 W. Broad Street
Clinton, TN 37716

Phone (865) 457-0424

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

CLINTON, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2010

ASSETS

Current assets:	
Cash and cash equivalents	$ 17,652
Accounts receivable	5,960
Due from other governments	24,726
Total current assets	48,338
Capital assets:	
Capital assets, net of accumulated depreciation totaling $303,924	59,366
Total assets	$ 107,704

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	$ 17
Total current liabilities	17
Net assets:	
Invested in capital assets, net of related debt	59,366
Unrestricted	48,321
Total net assets	107,687
Total liabilities and net assets	$ 107,704

See accompanying notes to basic financial statements.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

CLINTON, TENNESSEE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2010

Operating revenues:	
Emergency telephone surcharges	$ 60,692
State shared wireless charge	23,818
State of Tennessee operational funding	118,847
State of Tennessee reimbursement	8,000
	211,357
Operating expenses:	
Contracted services	302,052
Supplies & materials	8,475
Other charges	7,289
	317,816
Operating margin (loss) before depreciation	(106,459)
Depreciation expense	15,971
Operating margin (loss)	(122,430)
Non-operating revenue (expense):	
Interest income	367
Miscellaneous income	4,072
Interest expense	(215)
	4,224
Change in net assets	(118,206)
Net assets, beginning of the year	225,893
Net assets, end of the year	$ 107,687

See accompanying notes to basic financial statements.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

CLINTON, TENNESSEE

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received from service fees and operational funding	$ 211,796
Cash paid to suppliers for goods and services	(318,278)
Net cash used by operating activities	(106,482)
Cash flows from capital and related financing activities:	
Principal payments on note payable	(16,760)
Purchase of equipment	(45,639)
Interest paid	(215)
Net cash used by capital and related financing activities	(62,614)
Cash flows from investing activities:	
Interest on investments	367
Net cash provided by investing activities	367
Net decrease in cash and cash equivalents	(168,729)
Cash and cash equivalents, beginning of the year	186,381
Cash and cash equivalents, end of the year	$ 17,652

Reconciliation of operating margin (loss) to net cash used by operating activities:	
Operating margin (loss)	$ (122,430)
Adjustments to reconcile operating margin (loss) to net cash used by operating activities:	
Depreciation	15,971
Miscellaneous income	4,072
Increase in receivables	(3,633)
Decrease in payables	(462)
Net cash used by operating activities	$ (106,482)

See accompanying notes to basic financial statements.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

CLINTON, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

1. Summary of Significant Accounting Policies

General Statement

City of Clinton Emergency Communications District (the District) is a 911 service, which receives telephone requests for emergency services and provides for the dispatch of appropriate emergency service units. The District is a component unit of another governmental entity. City of Clinton, Tennessee is the primary government in whose financial reporting entity the District is included. Also, City of Clinton's legislative body approves board members, debt issues and annual budgets of the District.

The criteria for including organizations as component units within a City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City appoints all of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the District has elected not to apply Financial Accounting Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the District are described below.

The entity is a proprietary fund type known as an Enterprise Fund. The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs are financed through user charges.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

CLINTON, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Proprietary funds are accounted for on a "flow of economic resources" measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net assets.

Methods of Accounting

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

GASB Statement No. 34

The District follows the provisions of GASB Statement No. 34, *Basic Financial Statements* - and *Management's Discussion and Analysis* - for *State and Local Governments*. Statement No. 34 establishes standards for external financial reporting for all state and local governmental entities, which includes a Management's Discussion and Analysis Section, a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. It requires the classification of net assets into three components - 1) invested in capital assets, net of related debt service, 2) restricted for debt service, and 3) unrestricted.

Cash and Cash Equivalents

For purposes of these financial statements, the District considers all highly liquid investments having original maturity dates of three months or less to be cash equivalents.

Budgetary Procedures and Budgetary Accounting

Prior to the beginning of the fiscal year, the Board of Directors prepare and approve an operating budget and hold public hearings. All supplemental appropriations must also be approved by the Board of Directors. Actual expenses and operating transfers out may not legally exceed "budget" appropriations at the individual fund level.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

CLINTON, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Budgetary Procedures and Budgetary Accounting (Continued)

Appropriations lapse at the close of the fiscal year to the extent that they have not been transferred or encumbered.

The District prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The major difference between the budgetary basis of accounting and GAAP is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP). At June 30, 2010, there were no encumbrances.

Budget amounts are as originally adopted or as amended by the Board of Directors.

Capital Assets

Capital assets owned by the District are recorded at cost, or if contributed property, at their fair market value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Depreciation is calculated on each class of depreciable property using the straight-line method.

Use of Estimates

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

Operating and Non-Operating Revenues

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

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

CLINTON, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2. Cash and Collateral

Cash consisted of the following at June 30, 2010:

Cash in bank	$17,652

At June 30, 2010, all of the District's deposits were either insured by federal depository insurance or guaranteed by bank participation in the Tennessee Bank Collateral Pool. Investment policies of the District follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

3. Capital Assets

Capital assets, together with accumulated depreciation, consist of the following:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Original Cost				
Building improvements	$ 30,504	$ -	$ -	$ 30,504
Communication equipment	265,961	43,968	-	309,929
Furniture and fixtures	1,467	-	-	1,467
Office equipment	19,719	1,671	-	21,390
	$ 317,651	$ 45,639	$ -	$ 363,290
Accumulated Depreciation				
Building improvements	$ 30,504	$ -	$ -	$ 30,504
Communication equipment	241,624	13,074	-	254,698
Furniture and fixtures	1,291	152	-	1,443
Office equipment	14,534	2,745	-	17,279
	$ 287,953	$ 15,971	$ -	$ 303,924

Depreciation, at a rate of 20%, charged to expense totaled $15,971 for the year ended June 30, 2010.

4. Capitalization of Interest

Interest expense on debt used to finance construction of major fixed assets during the construction phase is capitalized when considered material. There was no capitalized interest for the year ended June 30, 2010.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

CLINTON, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District purchases commercial insurance for all of these risks of loss. There have been no claims that have exceeded the insurance coverage during the three prior years.

6. Expenses Paid by Primary Government

All salaries and benefits of the District are paid directly by the City of Clinton through its General Fund. Beginning in the current fiscal year, the District began reimbursing the City for payroll costs. On the Schedule of Budget vs. Actual Revenue and Expense, the current expense of $260,739 is included in the account "Contracts with Government Agencies."

OTHER SUPPLEMENTARY INFORMATION

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

CLINTON, TENNESSEE

SCHEDULE OF BUDGET VS. ACTUAL REVENUES AND EXPENSES

For the Fiscal Year Ended June 30, 2010

	Budget	Actual
Operating revenues:		
Emergency telephone surcharge	$ 69,100	$ 60,692
State shared wireless charge	24,000	23,818
State distribution	72,215	118,847
State reimbursement	160,000	8,000
Total operating revenues	325,315	211,357
Operating expenses:		
Audit service	3,630	3,630
Contracts with government agencies	260,740	260,739
Data processing services	603	574
Legal services	250	-
NCIC/TBI/TIES expense	8,000	8,000
Lease/communications expense	8,058	7,835
Lease/tower	3,174	3,174
Maintenance and repairs - communication equipmen	15,000	16,692
Maintenance and repairs - building	5,000	1,408
Office supplies	4,500	3,883
Postage	42	42
Uniforms and shirts	2,400	2,200
Utilities - electric	400	316
Utilities - general telephone	3,500	1,006
Utilities - cell phones	850	1,028
Subscriptions and periodicals	750	769
Dues and memberships	250	100
Insurance - liability	609	497
Insurance - equipment	337	282
Legal notices	100	13
Premiums on surety bonds	2,286	2,447
Training expenses	7,500	3,181
Travel expenses	1,500	-
Total operating expenses	329,479	317,816
Operating margin (loss) before depreciation	(4,164)	(106,459)
Depreciation expense	30,539	15,971
Operating margin (loss)	(34,703)	(122,430)
Non-operating income (expense):		
Interest income	3,200	367
Miscellaneous income	-	4,072
Interest expense	(496)	(215)
Total non-operating income (expense)	2,704	4,224
Net income (loss)	$ (31,999)	$ (118,206)

See independent auditor's report.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

CLINTON, TENNESSEE

SCHEDULE OF DETAILED EXPENSES

For the Fiscal Year Ended June 30, 2010

Operating expenses:	
Contracted services -	
Audit service	$ 3,630
Contracts with government agencies	260,739
Data processing services	574
NCIC/TBI/TIES expense	8,000
Lease/communications equipment	7,835
Lease/tower	3,174
Maintenance and repairs - communication equipment	16,692
Maintenance and repairs - building	1,408
Total contracted services	302,052
Supplies and materials -	
Office supplies	3,883
Postage	42
Uniforms and shirts	2,200
Utilities - electric	316
Utilities - general telephone	1,006
Utilities - cell phones	1,028
Total supplies and materials	8,475
Other charges -	
Subscriptions and periodicals	769
Dues and memberships	100
Insurance - liability	497
Insurance - equipment	282
Legal notices	13
Premiums on surety bonds	2,447
Training expense	3,181
Total other charges	7,289
Total operating expenses	$ 317,816

See independent auditor's report.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

CLINTON, TENNESSEE

SCHEDULE OF TELEPHONE SURCHARGE RATES

June 30, 2010

Residential	$0.65/ month
Commercial	$2.00/ month
Wireless	$1.00/ month *

* City of Clinton Emergency Communications District receives a percentage determined by the State on a per capita basis.

See independent auditor's report.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

CLINTON, TENNESSEE

SCHEDULE OF INSURANCE IN FORCE

June 30, 2010

Property coverage -	
Buildings and personal property	$ 500
Electronic data processing equipment	151,196
Crime coverage -	
Public employee dishonesty bond	100,000
General and personal injury liability coverage -	
Bodily injury - per person	300,000
Bodily injury - per occurrence	700,000
Property damage - per occurrence	100,000
Each other loss - per occurrence	700,000
Catastrophic medical expenses	1,000,000
Medical payments - $1,000 per person, $10,000 per accident	
Fire damage liability - per occurrence	100,000
Impounded property liability - per occurrence	100,000
Non-monetary defense costs - per occurrence	100,000
Errors and omissions coverage -	
Per occurrence	700,000
Non-monetary defense costs - per occurrence	100,000

The building and structures are owned and insured by the City of Clinton. Coverages of the City are as follows:

Property coverage -	
Buildings and personal property	$20,524,145

See independent auditor's report.

CITY OF CLINTON EMERGENCY COMMUNICATIONS DISTRICT

CLINTON, TENNESSEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS

June 30, 2010

Description	Project Number	CFDA Number	Balance July 1, 2009	Cash Receipts	Funding Expenditures	Balance June 30, 2010
Grants:						
Tennessee Department of Commerce and Insurance - Operational Funding Distribution	N/A	N/A	$ -	$118,847	$ 118,847	$ -
Tennessee Department of Commerce and Insurance - Dispatcher Training Reimbursement	N/A	N/A	-	8,000	8,000	-
			$ -	$126,847	$ 126,847	$ -

See independent auditor's report.

BROWN JAKE & McDANIEL, PC

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
City of Clinton Emergency
Communications District
Clinton, Tennessee

We have audited the financial statements of City of Clinton Emergency Communications District (the District), a component unit of City of Clinton, Tennessee, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 3, 2010. 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 the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the 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 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 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 below that we consider being 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. We noted one instance of a significant deficiency, as described below:

JOURNAL ENTRY APPROVALS

Finding (#10-1): We noted that journal entries are not subjected to review and approval of management.

Recommendation: We recommend that all journal entries be reviewed and approved by the management.

Management's Response: We concur. We will implement a review and approval process related to the District's journal entries.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and government regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Brown John & McDaniel, PC

CERTIFIED PUBLIC ACCOUNTANTS

December 3, 2010