

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
GILES COUNTY E-911 COMMUNICATIONS DISTRICT
PULASKI, TENNESSEE
June 30, 2010**

GILES COUNTY E-911 COMMUNICATIONS DISTRICT

PULASKI, TENNESSEE

June 30, 2010

BOARD

Debbie Underwood, Chairman

Kyle Helton, Vice-Chairman

Roy Griggs, Treasurer

Jimmy S. Thompson, Secretary

John Dickey

Barry Whitt

Dan Speer

Janet VanZant

Tracy Wilburn

GILES COUNTY E-911 COMMUNICATIONS DISTRICT

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PUTMAN & HANCOCK
Certified Public Accountants

219 East College Street
P.O. Box 722 Fax
Fayetteville, Tennessee 37334

(931) 433-1040
(931) 433-9290

INDEPENDENT AUDITORS' REPORT

Board of Directors
Giles County E-911 Communications District
Pulaski, Tennessee

We have audited the accompanying financial statements of the Giles County E-911 Communications District ("the District"), a component unit of Giles County, Tennessee, as of June 30, 2010. 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.

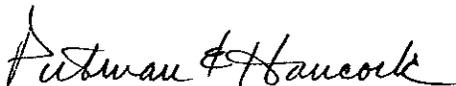
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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.

The District has elected not to present management's discussion and analysis (MD&A) as supplementary information as required by the Government Accounting Standards Board because it is not a required part of the basic financial statements.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Giles County E-911 Communications District as of June 30, 2010, and the changes in financial position and cash flows 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 a report dated October 21, 2010, on our consideration of Giles County E-911 Communications District's internal control over financial reporting and 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules listed as other financial information in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements of the Giles County E-911 Communications District. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



October 21, 2010

GILES COUNTY E-911 COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 704,149
Accrued interest receivable	152
Accounts receivable	27,036
Prepaid expense	<u>11,981</u>
Total Current Assets	<u>743,318</u>
NONCURRENT ASSETS	
Property and equipment, net	262,773
Utility deposits	<u>85</u>
	<u>262,858</u>
TOTAL ASSETS	<u>1,006,176</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	2,738
Accrued payroll	4,488
Accrued payroll expenses	4,246
Accumulated compensated absences	<u>14,149</u>
TOTAL LIABILITIES	<u>25,621</u>
NET ASSETS	
Invested in capital assets	262,773
Unrestricted assets	<u>717,782</u>
TOTAL NET ASSETS	<u>\$ 980,555</u>

The accompanying notes are an integral part of these financial statements.

GILES COUNTY E-911 COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2010

OPERATING REVENUES:	
Emergency telephone service charges	\$ 280,203
Emergency shared wireless service charges	74,430
Emergency operational funding	<u>114,480</u>
Total Operating Revenues	469,113
 OPERATING EXPENSES:	
Salaries - director	47,786
Salaries - dispatch & mapping	302,682
Employee benefits	108,143
Maintenance contracts	26,051
Repairs - equipment	4,513
Repairs - building and facilities	2,742
Accounting services	2,888
Audit services	3,849
Legal fees	23
Insurance	15,719
NCIC charge	8,000
Depreciation	50,698
Travel	3,452
Training	4,588
Fees paid to service providers	20,801
Addressing/mapping contracted services	1,507
Administrative telephone	9,070
Supplies and materials	4,383
Utilities	8,991
Other charges	<u>935</u>
Total Operating Expenses	626,821
Loss from Operations	<u>(157,708)</u>
 NONOPERATING REVENUES:	
Interest income	8,544
Miscellaneous income	<u>1,445</u>
Total Nonoperating Revenues	<u>9,989</u>
Loss Before Contributions:	(147,719)
Contributions from primary government	102,800
Contributions from other governments and agencies	122,600
Contributions from State Emergency Communications Board	<u>22,000</u>
 CHANGE IN NET ASSETS	 99,681
NET ASSETS, beginning of year	<u>880,874</u>
NET ASSETS, end of year	<u>\$ 980,555</u>

The accompanying notes are an integral part of these financial statements.

GILES COUNTY E-911 COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 463,017
Cash paid to suppliers for goods and services	(223,045)
Cash paid to employees	<u>(359,252)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(119,280)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contributions from primary government	102,800
Contributions from other governments and agencies	122,600
Contributions from State Emergency Communications Board	22,000
Other income	<u>1,445</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>248,845</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to property and equipment	<u>(1,250)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,250)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	<u>8,615</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>8,615</u>
INCREASE IN CASH - NET	136,930
CASH, beginning of year	<u>567,219</u>
CASH, end of year	<u><u>\$ 704,149</u></u>
 RECONCILIATION OF OPERATING LOSS TO NET	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Loss from operations	\$ (157,708)
Adjustments to reconcile operating loss to net cash -	
Depreciation	50,698
Changes in operating assets and liabilities:	
Accounts receivable	(6,096)
Prepaid expenses	698
Accounts payable	(1,212)
Accrued payroll	(9,529)
Accrued payroll taxes	3,124
Accumulated compensated absences	<u>745</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (119,280)</u></u>

The accompanying notes are an integral part of these financial statements.

GILES COUNTY E-911 COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note A - SUMMARY OF ACCOUNTING POLICIES

The accounting policies and the reporting requirements of the Giles County 911 Communications District ("the District") conform to generally accepted accounting principles as applicable to governmental entities. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as private-sector standards by the Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The District has the option of following subsequent private-sector guidance after this date. The District has elected not to follow subsequent private-sector guidance.

Reporting Entity

The Giles County 911 Communications District ("the District") was authorized by state statute subject to the "Emergency Communications District Law", Tennessee Code Annotated, Chapter 86, for the purpose of establishing a uniform emergency number to shorten the time required for a citizen to request and receive emergency aid in Giles County, Tennessee. The legislative body of Giles County, by resolution, created the E-911 District to operate within the boundaries of Giles County. The District represents a legal entity separate and apart from Giles County, Tennessee ("the County" and "Primary Government"). The District is a component unit of the County and its financial statements are reported as a discretely presented component unit of the Primary Government. The governing body is comprised of nine directors initially appointed by the Giles County Board of Commissioners. Vacancies on the Board are appointed by a majority vote of the Board of Directors. The Board of Directors appoints a chairman and hires employees and consultants as necessary. The Board also has the power to set user fee rates up to the maximum charges allowed by the "Emergency Communications District Law", and do all things necessary to conduct other business of the District. The District is restricted as to the type of debt it can incur without the approval of Giles County, Tennessee.

Revenue Recognition

The accompanying statements are prepared on the accrual basis of accounting using the economic resources measurement focus utilizing generally accepted accounting principles applicable to Tennessee emergency communications districts. Revenues are recognized when earned (operating revenues as described in Note D are recognized when collected by the service providers) and expenses when incurred. Operating revenues and expenses generally result from charges collected by service providers under the Emergency Communications District Law and related fees for services. Operating expenses include the cost of personnel and contractual services, supplies, repairs and depreciation on all capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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.

GILES COUNTY E-911 COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Risk Management

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District maintains and pays the premiums for commercial insurance coverage for each of these risks of losses. Settled claims in the past three years have not exceeded the insurance coverage. There were no reductions in insurance coverage compared to the prior year.

Property and Equipment

Property and equipment are stated at cost. Depreciation expense is calculated on the straight-line method. It is the policy of The District to depreciate assets purchased for \$1,000.00 or more. The depreciation method and rates are designed to amortize the cost of the assets over their estimated useful lives. The useful life for the building is 40 years and equipment is 5 to 10 years. Maintenance and repairs are charged to expense as incurred.

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. No interest was capitalized for the current year.

Statement of Cash Flows - Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

State statutes authorize the District to invest in: (1) U.S. government securities and obligations guaranteed by the U.S. government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; (3) the Local Government Investment Pool of the State of Tennessee; and (4) obligations of the United States or its agencies under repurchase agreements with certain restrictions.

Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

The District has not adopted formal deposit or investment policies for exposure to various forms of risks associated with its deposit and investment practices, other than to follow State statutes as described above.

Accounts Receivable

Accounts receivable at June 30, 2010 represents fees collected by service providers that are due to the District as of year end. Uncollected fees/revenues are accounted for as a reduction of revenues based upon a periodic review of accounts receivable. As of June 30, 2010, in the opinion of management there were no uncollectible accounts receivables.

GILES COUNTY E-911 COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The District is exempt from federal and state income taxes.

Accumulated Compensated Absences

The costs of vacation leave benefits granted to employees are recorded as expenditures when earned.

Note B - CASH

All the District's deposits were covered by federal depository insurance or by the bank collateral pool administered by the Treasurer of the State of Tennessee, as of June 30, 2010.

Note C - PROPERTY AND EQUIPMENT

Capital asset activity for the year ended June 30, 2010 was as follows:

Capital assets being depreciated:	COST			
	Balance 6/30/2009	Additions	Retirements	Balance 6/30/2010
Building	\$ 119,643	\$ -	\$ -	\$ 119,643
Equipment	514,164	1,250	-	515,414
Furniture & fixtures	6,071	-	-	6,071
	<u>\$ 639,878</u>	<u>\$ 1,250</u>	<u>\$ -</u>	<u>\$ 641,128</u>

The related activity for accumulated depreciation for the year ended June 30, 2010 was as follows:

	ACCUMULATED DEPRECIATION			
	Balance 6/30/2009	Additions	Retirements	Balance 6/30/2010
Building	\$ 39,927	\$ 3,697	\$ -	\$ 43,624
Equipment	284,775	46,134	-	330,909
Furniture & fixtures	2,955	867	-	3,822
	<u>\$ 327,658</u>	<u>\$ 50,698</u>	<u>\$ -</u>	<u>\$ 378,355</u>

Depreciation for the year ended June 30, 2010 totaled \$50,698.

GILES COUNTY E-911 COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note D - OPERATIONS

The District receives operating revenues from AT&T and Ardmore Telephone Company customers by charging a monthly fee of \$1.50 to residential and \$3.00 to business customers. These are the maximum charges allowed by the "Emergency Communications District Law" and there are no plans to decrease these rates in the near future. The District pays AT&T approximately \$1,800 per month to lease and maintain lines and equipment. The actual monthly cost varies depending on the number of users on the system.

The District also receives operating revenues from the Tennessee Emergency Communications Board (ECB). The ECB receives 25% of the wireless E-911 charge collected from the state's wireless/cellular telephone subscribers, and in turn remits to each E-911 district its portion of the funds collected based on that district's population.

Note E - RETIREMENT BENEFITS

The District provides a defined contribution plan covering all full-time employees. Provisions of the plan provide for both employee and employer contributions. Under the plan, the District matches employee contributions up to 3% of the employee's base pay. Employer contributions to the plan totaled \$7,501 and \$7,857 for the years ended June 30, 2010 and 2009, respectively while employee contributions totaled \$9,039 and \$9,820 for those respective periods.

Note F - BUDGETS

The District prepares an annual budget in accordance with the requirements of section 7-186-120, Tennessee Code Annotated. The budget reflects all expected revenues and expenditures of the District for the ensuing fiscal year. Expenses are budgeted at the legal level of control which is at the line item level. The approved budget is integrated into the accounting system and employed as a management control device during the year. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

OTHER FINANCIAL INFORMATION

GILES COUNTY E-911 COMMUNICATIONS DISTRICT
BUDGET AND ACTUAL
SCHEDULE OF BUDGETED REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Emergency telephone service charges	\$ 263,387	\$ 280,203	\$ 16,816
Emergency shared wireless service charges	59,064	74,430	15,366
Emergency operational funding	<u>81,819</u>	<u>114,480</u>	<u>32,661</u>
Total Operating Revenues	404,270	469,113	64,843
OPERATING EXPENSES:			
Salaries - director	47,563	47,786	(223)
Salaries, wages and benefits - dispatch	311,893	302,682	9,211
Employee benefits	109,326	108,143	1,183
Maintenance contracts	28,400	26,051	2,349
Repairs - equipment	6,417	4,513	1,904
Repairs - buildings and facilities	3,172	2,742	430
Accounting services	3,000	2,888	112
Audit services	4,000	3,849	151
Legal services	207	23	184
Insurance	16,561	15,719	842
NCIC charge	8,000	8,000	-
Depreciation	51,615	50,698	917
Travel	4,018	3,452	566
Training	4,600	4,588	12
Fees paid to service providers	20,900	20,801	99
Addressing/mapping contracted services	1,893	1,507	386
Administrative telephone	10,396	9,070	1,326
Supplies and materials	17,425	4,383	13,042
Utilities	10,008	8,991	1,017
Other charges	<u>1,011</u>	<u>935</u>	<u>76</u>
Total Operating Expenses	<u>660,405</u>	<u>626,821</u>	<u>33,584</u>
Loss from Operations	<u>(256,135)</u>	<u>(157,708)</u>	<u>98,427</u>
NONOPERATING REVENUES			
Interest income	7,400	8,544	1,144
Miscellaneous income	<u>1,335</u>	<u>1,445</u>	<u>110</u>
Total Nonoperating Revenue	<u>8,735</u>	<u>9,989</u>	<u>1,254</u>
Loss Before Reimbursements/Contributions	(247,400)	(147,719)	99,681
Contributions from primary governments	102,800	102,800	-
Contributions from other governments and agencies	122,600	122,600	-
State Emergency Communications Board - Grants	<u>22,000</u>	<u>22,000</u>	<u>-</u>
CHANGE IN NET ASSETS	-	99,681	99,681
NET ASSETS, beginning of year	<u>880,874</u>	<u>880,874</u>	<u>-</u>
NET ASSETS, end of year	<u>\$ 880,874</u>	<u>\$ 980,555</u>	<u>\$ 99,681</u>

GILES COUNTY E-911 COMMUNICATIONS DISTRICT
 SCHEDULE OF INSURANCE - UNAUDITED
 June 30, 2010

	<u>Coverage Amount</u>
Property coverage:	
Real property	\$ 200,129
Tower property	158,127
Personal property-on and off premises	478,067
Earthquake	836,323
Flood	836,323
General liability:	
Aggregate limit	3,000,000
Each occurrence	1,000,000
Personal injury	1,000,000
Medical expense	5,000
Umbrella liability:	
Aggregate limit	2,000,000
Each occurrence	1,000,000
Automobile liability:	1,000,000
Workmen's compensation	Statutory
Fidelity bond:	
Chairman	100,000
Treasurer	100,000

**GILES COUNTY E-911 COMMUNICATIONS DISTRICT
SCHEDULE OF RATES AND NUMBER OF CUSTOMERS
June 30, 2010**

The District receives operating revenues from AT&T, Tennessee Telephone, and Ardmore Telephone Company customers by charging a monthly fee of \$1.50 to residential and \$3.00 to business customers. These are the maximum charges allowed by the "Emergency Communications District Law" and there are no plans to decrease them in the near future.

The number of residential and business customers served as of June 30, 2010 was 13,064.

The District also receives operating revenues from the Tennessee Emergency Communications Board (ECB). The ECB receives 25% of the wireless E-911 charge collected from the state's wireless/cellular telephone subscribers, and in turn remits to each E-911 district its portion of the funds collected based on that district's population.

**GILES COUNTY E-911 COMMUNICATIONS DISTRICT
SCHEDULE OF INFORMATION REQUIRED BY THE TENNESSEE
EMERGENCY COMMUNICATIONS BOARD
June 30, 2010**

1. Number of public safety answering points: One
2. Location: 131 S. Cedar Lane, Pulaski, Tennessee 38478
3. Type of system/equipment and database used: CAD system, two-way radio system and phone system AT&T database.
4. Name, address, telephone number, and fax number of the Director of the emergency communications district at June 30, 2010: Michael L. Goode, 17520 Minor Hill Hwy, Minor Hill, TN 38473. Phone: 931-363-6810 Fax: 931-424-6602
5. Name, address, telephone number, and fax number of the Chairman of the emergency communications district at June 30, 2010: Debbie Underwood, PO Box 307, Pulaski, TN 38478. Phone: 931-565-3297 Fax: 931-424-6602

PUTMAN & HANCOCK
Certified Public Accountants

219 East College Street
P.O. Box 722
Fayetteville, Tennessee 37334

(931) 433-1040
Fax (931) 433-9290

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
Giles County E-911 Communications District
Pulaski, Tennessee

We have audited the financial statements of the Giles County E-911 Communications District ("the District"), a component unit of Giles County, Tennessee, as of and for the year ended June 30, 2010 and have issued our report thereon dated October 21, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of audit findings and responses, we identified a deficiency in the internal control over financial reporting that we consider to be a material weakness.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of audit findings and responses as finding 2010-1 to be a material weakness.

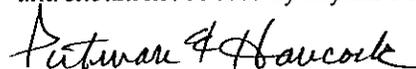
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit findings and response as finding 2010-2.

The District's response to the findings identified in our audit is described in the accompanying schedule of audit findings and responses. We did not audit the District's response and, accordingly we express no opinion on it.

We noted certain matters that we reported to the management of the District in a separate letter dated October 21, 2010.

This report is intended for the information and use of the Board of Directors and management and is not intended to be used and should not be used by anyone other than these specified parties.



October 21, 2010

GILES COUNTY E-911 COMMUNICATIONS DISTRICT
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
June 30, 2010

FINDING NUMBER 2010-1*:

Condition and Criteria:

The Director is responsible for receiving and depositing funds, preparing checks, and reconciling bank statements. From an accounting control standpoint, these are incompatible duties.

Effect:

The absence of appropriate segregation of duties increases the possibility that assets may be misappropriated and not detected in a timely manner.

Auditors' Recommendations:

Incompatible duties related to accounting functions should be segregated to enhance internal controls over financial reporting. We realize that due to small staff size, the Board may not be able to correct this finding. However, our professional standards require that we bring this finding to your attention in this report.

Management Response:

In our opinion the costs of hiring personnel to improve segregation of duties would exceed the internal control benefits. We believe this weakness is mitigated through installation of certain compensating controls such as the use of budgets and active involvement of the Board in day-to-day operations.

FINDING NUMBER 2010-2:

Condition and Criteria:

We noted that the salaries – director expense account exceeded the budgeted amount by \$223.

Effect:

Expenses in excess of budgeted amounts are a violation of state statute and may negatively impact the District's financial position.

Auditors' Recommendations:

Budgets should be monitored and amended as necessary to reflect authorization of the Board to incur expenses.

Management Response:

We concur with the finding.

FINDING NUMBER 2010-3:

Condition and Criteria:

We noted that three checks dated in April 2010 had been misfiled and were not recorded as income nor deposited into the bank. The amount of these checks totaled \$421.95.

Effect:

Assets and revenues were both understated by \$421.95 for which we proposed an audit adjustment.

Auditors' Recommendations:

Checks should be deposited into bank account within three days of receipt. Due to these checks being over 120 days old they are void. We recommend that the respective payors be notified and asked to reissue these checks.

Management Response:

We concur with the finding.

* Prior year finding.