

**JACKSON COUNTY E-911 EMERGENCY
COMMUNICATIONS DISTRICT
JUNE 30, 2010**

**TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT**

**JACKSON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
JUNE 30, 2010**

TABLE OF CONTENTS

911 Board Members	1
Independent Auditor's Report	2-3
Statement of Net Assets	4
Statement of Revenues, Expenses and Changes in Fund Net Assets	5-6
Statement of Cash Flows	7
Notes to the Financial Statements	8-10
Budget and Actual	11-12
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13-14
Audit Findings & Recommendations	15-16

**JACKSON COUNTY E-911 EMERGENCY
COMMUNICATIONS DISTRICT
911 BOARD MEMBERS
JUNE 30, 2010**

Michael Smith, Chairman
3247 Granville Hwy
Gainesboro, TN 38562
E-Mail saving@twlakes.net
Phone (931) 267-6676
Term Expires 10/2013

Joey Denson, Vice Chairman
PO Box 347
Gainesboro, TN 38562
E-Mail jdenson@twlakes.net
Phone (931) 268-9440
Term Expires 10/2013

Bruce Hawkins, Secretary
120 Hawkins & Biggs Lane
Gainesboro, TN 38562
E-Mail: N/A
Phone (931) 268-2521
Term Expires 10/2011

Willard Mayberry
1625 Seven Knobs Rd.
Gainesboro, TN 38562
E-Mail: N/A
Phone (931) 268-0950
Term Expires 10/2011

Michael Head
175 Head Lane
Gainesboro, TN 38562
E-Mail mhead102@gainesboropolice.com
Phone (931) 268-3819
Term Expires 10/2011

Patrick Martin
224 Brown Stafford Lane
Gainesboro, TN 38562
E-Mail Patrick.martin224@yahoo.com
Phone (931) 267-9909
Term Expires 10/2013

TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT

6 SOUTH MADISON AVENUE
COOKEVILLE, TN 38501
PHONE (931) 526-5489
FAX (931) 526-9064

INDEPENDENT AUDITOR'S REPORT

To the Board of directors of the
Jackson County E-911 Emergency Communications District
Gainesboro, Tennessee

I have audited the accompanying financial statements of the Jackson County E-911 Emergency Communications District, a component unit of Jackson County, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Jackson County E-911 Emergency Communications District's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jackson County E-911 Emergency Communications District, as of June 30, 2010, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 2, 2010, on my consideration of the Jackson County E-911 Emergency Communications District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing 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 my audit.

GASB Statement No. 34 provides guidance on Management's Discussion and Analysis, which is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board; however, management has chosen to exclude this information.

My audit was performed for the purpose of forming an opinion on the financial statements of Jackson County E-911 Emergency Communications District, taken as a whole. The accompanying supplementary financial information is presented for the purposes of additional analysis and is not a required part of the financial statements of Jackson County E-911 Emergency Communications District. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

December 2, 2010
Cookeville, Tennessee

Tamara L. Beckman, CPA

**JACKSON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010**

ASSETS

Current Assets

Cash & Cash Equivalents	\$ 14,210.57	
Accounts Receivable	16,597.60	
Due from State ECB	4,617.51	
Prepaid Expenses	<u>3,463.90</u>	
<u>Total Current Assets</u>		\$ 38,889.58

Fixed Assets

Office Equipment	37,098.00	
Less: A/D-Office Equipment	(33,968.32)	
Communications Equipment	750,021.01	
Less: A/D-Comm Equipment	<u>(678,820.28)</u>	
<u>Total Fixed Assets</u>		<u>74,330.41</u>

Total Assets **\$ 113,219.99**

LIABILITIES & NET ASSETS

Current Liabilities

Accounts Payable	1,422.56	
Accrued Payroll	5,990.29	
Payroll Tax Payable	5,051.28	
Payroll Deductions Payable	638.07	
Note Payable-Current Portion - TECB	<u>9,682.46</u>	
<u>Total Current Liabilities</u>		22,784.66

Long Term Note Payable - TECB 135,554.54

Total Liabilities **158,339.20**

Net Assets

Invested in Capital Assets, Net of Related Debt	(70,906.59)	
Unrestricted Net Assets	<u>25,787.38</u>	
<u>Total Net Assets</u>		<u>\$ (45,119.21)</u>

The accompanying notes are in integral part of the financial statements

**JACKSON COUNTY E-911 EMERGENCY
COMMUNICATION DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Operating Revenue</u>		
Emergency Telephone Service Charges	\$ 91,151.59	
State ECB – Wireless	75,753.54	
State ECB – Operational Funding Program	69,069.79	
Other Operating Revenue	<u>518.14</u>	
<u>Total Operating Revenue</u>		\$ 236,493.06
 <u>Operating Expenses</u>		
<u>Salaries & Wages</u>		
Dispatchers	<u>201,522.64</u>	
Total Salaries & Wages		\$ 201,522.64
 <u>Employee Benefits</u>		
Social Security	11,066.47	
Medicare	2,588.14	
Unemployment-State & Federal	849.09	
Health Insurance	6,882.16	
Life Insurance	<u>1,514.46</u>	
Total Employee Benefits		22,900.32
 <u>Contracted Services</u>		
Legal Services	3,600.00	
Maintenance Agreements	3,515.15	
Mapping/DB Consultants	10,663.11	
NCIC & TCIC Data Lines	5,120.00	
<u>Maintenance & Repairs</u>		
Communications Equipment	20,764.25	
<u>Lease & Rental</u>		
Communications Equipment	<u>2,000.00</u>	
<u>Total Contracted Services</u>		45,662.51
 <u>Supplies & Materials</u>		
Office Supplies	2,225.33	
Postage	185.00	
Small Equipment Purchases	1,723.47	
<u>Utilities</u>		
General Telephone	14,546.53	
Gas	179.48	
Satellite	<u>1,205.85</u>	
<u>Total Supplies & Materials</u>		20,065.66

The accompanying notes are an integral part of the financial statements

**JACKSON COUNTY E-911 EMERGENCY
COMMUNICATION DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Other Charges</u>		
Bank Charges	265.60	
Dues & Subscriptions	120.00	
<u>Insurance</u>		
Liability	9,689.11	
Worker's Compensation	1,021.00	
Legal Notices	412.70	
Licenses & Fees	600.00	
Premiums on Surety Bonds	1,028.47	
Training Expenses	2,764.83	
Travel	2,283.21	
Uniforms	1,181.00	
Miscellaneous	146.49	
Printing & Reproduction	<u>87.79</u>	
<u>Total Other Charges</u>		19,600.20
Depreciation		<u>21,811.73</u>
<u>Total Operating Expenses</u>		<u>331,563.06</u>
Net Operating Loss		(95,070.00)
<u>Non-operating Revenue and (Expenses)</u>		
Interest Income	272.82	
State-Grants & Reimbursements	10,000.00	
Contributions from Primary Government	53,900.00	
Contributions from Other Governments	21,175.00	
UCEMC Grant	5,000.00	
Proceeds from Insurance	1,712.50	
Electrical Permits	1,540.00	
Interest Expense	<u>(4,988.25)</u>	
<u>Total Non-operating Revenue (Expenses)</u>		<u>88,612.07</u>
<u>Net Increase in Net Assets</u>		(6,457.93)
Net Assets, June 30, 2009		103,208.86
Prior Period Adjustment		<u>(141,870.14)</u>
Net Assets, June 30, 2010		<u>\$ (45,119.21)</u>

The accompanying notes are an integral part of the financial statements

**JACKSON COUNTY E-911 EMERGENCY
COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Cash Flows from Operating Activities:</u>		
Cash Received from Operations	\$ 247,753.29	
Cash paid to/for Employee Services	(216,613.32)	
Cash Paid for Goods & Services	<u>(82,824.88)</u>	
Net Cash Used by Operating Activities		\$ (51,684.91)
 <u>Cash Flows from Capital & Related Financing Activities:</u>		
Payment on Lease	(134,361.99)	
Proceeds from Notes Payable-State	145,237.00	
Payment on Interest & Late Fees	<u>(4,988.25)</u>	
Net Cash Used by Capital & Related		5,886.76
 <u>Cash Flows from Non-Capital Financing Activities</u>		
Contributions from Primary Governments	53,900.00	
Contributions from Other Governments	21,175.00	
State ECB-Grants & Reimbursements	10,000.00	
Other Non-Operating Revenue	<u>3,252.50</u>	
Net Cash Provided by Non-Capital Financing Activities		88,327.50
 <u>Cash Flows from Investing Activities:</u>		
Interest Received		<u>272.82</u>
Net Increase in Cash and Cash Equivalent		42,802.17
Cash and Cash Equivalents at 6-30-09		<u>(28,591.60)</u>
Cash and Cash Equivalents at 6-30-10		<u>\$ 14,210.57</u>
 <u>Reconciliation of Net Operating Loss to Net Cash</u>		
<u>Used by Operating Activities</u>		
Operating Loss	\$ (95,070.00)	
Depreciation	21,811.73	
UCEMC Contract	5,000.00	
Increase in Accounts Receivable	(16,503.64)	
Decrease in Due from State ECB	22,763.87	
Decrease in Prepaid Expenses	3,373.19	
Increase in Accounts Payable	913.99	
Increase in Accrued Payroll	2,120.29	
Increase in Payroll Tax Payable	5,051.28	
Increase in Payroll Deductions Payable	638.07	
Decrease in Accrued Interest	<u>(1,783.69)</u>	
Net Cash Used by Operating Activities		<u>\$ (51,684.91)</u>

The accompanying notes are an integral part of the financial statements

**JACKSON COUNTY E-911 EMERGENCY
COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 1-Organization

The Jackson County E-911 Emergency Communications District was established on October 1, 1990, for the purpose of providing an enhanced level of 911 service for the Jackson County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. It is a component unit of Jackson County – the commissioners of which appoint the Board of Directors that governs. The District must file a budget with Jackson County each year. Any bond issued by the district is subject to approval by Jackson County.

Note 2 – Summary of significant accounting policies

The Jackson county E-911 Emergency Communications district presents its financial statements on the accrual basis and according to Governmental Accounting Standards Board (GASB) Statement No. 20, follows pronouncements of the Financial Accounting Standards (FASB) issued before November 30, 1989 unless they conflict with or contradict GASB guidance. After November 30, 1989, the District follows GASB guidance only and does not follow any FASB guidance issued after that date.

Fixed assets are depreciated over their useful lives using the straight-line method. All assets purchased under \$5,000.00 are expensed unless otherwise stated by management. Depreciation begins when the fixed assets are placed in service. Depreciation is summarized as follows:

	<u>Method</u>	<u>Estimated Useful Life</u>	<u>Depreciation Expense</u>
Office Equipment	S/L	5	\$ 873.40
Communications Equipment	S/L	5,7,12	<u>20,938.33</u>
			<u>\$ 21,811.73</u>

The budget is compiled and brought before the board for approval. The board approves any amendments.

Major Source of Revenue

The major source of operating revenue is emergency telephone and wireless surcharges and the State Emergency Communications Board Operational Funding Program revenue. Non-operating revenue consists of grants and reimbursements from the State Emergency Communications Board, and contributions from primary and other governments.

Budgeting, Budgetary Control, and Budgetary Reporting

An annual budget using the modified accrual basis of accounting is prepared and adopted each year. The budget for the year ended June 30, 2010 was approved by the board before the fiscal year began. Certain changes in expenditure allocations of the budget were addressed and approved by the Board. Revenues are considered to be available for unrestricted use unless specifically restricted by the donor or grantor, thus the Board may reapply budgeted resources from one use to another without special approval for unrestricted funds.

Note 3 – Cash and investments

The Tennessee Government Code requires Tennessee banks and savings and loan associations to secure a governmental entity’s deposits by pledging government securities as collateral. The market value of pledged securities must equal 105% of the entity’s deposits. The entity may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or Savings Association Insurance Fund (SAIF).

The following is a schedule of cash accounts at June 30, 2010:

Checking	\$14,165.97
Payroll Checking	<u>33.60</u>
Total	<u>\$14,199.57</u>

At June 30, 2010, the carrying amount of the Jackson County E – 911 Emergency Communications District’s cash deposits was \$14,199.57. The District’s deposit accounts are covered up to \$250,000 by the Federal Deposit Insurance Corporation. The District is authorized to deposit and invest funds according to the provisions of Section 5-8-301 of the Tennessee Code Annotated [Acts 1992, ch. 891, Section 10].

Note 4 – Insurance Risk

Jackson County E-911 Emergency Communication District has bonds covering the chairman, vice-chairman, secretary and treasurer in the amount of \$50,000.00 at June 30, 2010. The District also holds a workers compensation policy and a liability policy covering; property theft, damage and public liability. There have been no claims that exceeded coverage as of June 30, 2010.

Note 5 – Fixed Assets

The following is a schedule of equipment at June 30, 2010:

<u>Assets</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
<u>Depreciable</u>				
Land	<u>\$ 2,500.00</u>	<u>\$ --</u>	<u>\$ (2,500.00)</u>	<u>\$ --</u>
<u>Non-Depreciable</u>				
Bldg & Improvements	152,968.20	--	(152,968.20)	--
Office Equipment	39,284.00	--	(2,186.00)	37,098.00
Comm. Equipment	<u>786,769.51</u>	<u>--</u>	<u>(36,748.50)</u>	<u>750,021.01</u>
Subtotal	<u>979,021.71</u>	<u>--</u>	<u>(191,902.70)</u>	<u>787,119.01</u>
Total Assets	<u>\$ 981,521.71</u>	<u>\$ --</u>	<u>\$(194,402.70)</u>	<u>\$787,119.01</u>
	<u>Accumulated Depreciation June 30, 2009</u>	<u>Current Year Depreciation</u>	<u>Accumulated Depreciation June 30, 2010</u>	<u>Book Value June 30, 2010</u>
<u>Depreciable</u>				
Land	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<u>Non-Depreciable (as restated)</u>				
Bldg & Improvements	--	--	--	--
Office Equipment	35,280.92	873.40	36,154.32	943.68
Comm. Equipment	<u>655,695.95</u>	<u>20,938.33</u>	<u>676,634.28</u>	<u>73,386.73</u>
Subtotal	<u>690,976.87</u>	<u>21,811.73</u>	<u>712,788.60</u>	<u>74,330.41</u>
Total Assets	<u>\$690,976.87</u>	<u>\$ 21,811.73</u>	<u>\$712,788.60</u>	<u>\$ 74,330.41</u>

Note 6 – Cash and Cash equivalents

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

Note 7 – Lease Payable

Lease payable at June 30, 2010 is a capital lease with Marlin Financial & Leasing Corporation. Terms of the lease agreement are fifty-four payments of \$5,529.53 beginning July 18, 2003. The interest rate is 5.85%. The last payment should have been January 18, 2010, however, the District renegotiated the lease agreement for lower payments of \$4,455.81 over a longer period of time. On July 1, 2009 the District borrowed \$145,237.00 from the state of Tennessee to pay this lease off.

A schedule of changes in Lease Payable is as follows:

	Balance 6-30-09	Additions	Payments	Balance 6-30-10
Lease	\$134,361.99	\$ --	<\$134,361.99>	\$ --
Total	<u>\$134,361.99</u>	<u>\$ --</u>	<u><\$134,361.99></u>	<u>\$ --</u>

Note 8 – Notes Payable to State of Tennessee

The District, in need of financial assistance, entered into an agreement with the Tennessee Emergency Communications Board (TECB). The TECB loaned \$145,237.00 to the District to payoff the lease held at Marlin Financial. The District is to make annual payments of \$4,841.23 for 30 years, interest free beginning August 1, 2009 out of reserves. If no reserves are available, no payment is due.

A schedule of changes in Notes Payable is as follows:

	Balance 06-30-09	Additions	Payments	Balance 06-30-10
N/P – TECB	\$ --	\$145,237.00	\$ --	\$145,237.00
Total	<u>\$ --</u>	<u>\$145,237.00</u>	<u>\$ --</u>	<u>\$145,237.00</u>

Note 9 – Compensated Absences

There was no compensated absences payable at June 30, 2010.

Note 10 – Calculation of Invested In Capital Assets

Net Book Value	\$ 74,330.41
Current & Non-Current Debt	(145,237.00)
Invested in Capital Assets, Net of Related Debt	<u>(\$ 70,906.59)</u>

Note 11 – Budgetary Information

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

Note 12 – Prior Period Adjustment

A prior period adjustment was made to Capital Assets in the amount of \$194,402.70 which had been overstated in prior years. A prior period adjustment was made to Accumulated Depreciation in the amount of \$52,532.56 which had been also overstated in the prior years. The net effect of the prior period adjustment was to reduce net assets in the amount of \$141,870.14.

**JACKSON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance Under (Over)
<u>Operating Revenues</u>			
Emergency Telephone Service Charges	\$ 91,151.59	\$ 105,000.00	\$ (13,848.41)
State-Shared Wireless Charges	75,753.54	99,000.00	(23,246.46)
State-Operational Funding Program	69,069.79	-	69,069.79
Other Operating Revenue	518.14	-	518.14
Total Revenue	<u>\$ 236,493.06</u>	<u>\$ 204,000.00</u>	<u>\$ 32,493.06</u>
<u>Operating Expenses</u>			
<u>Salaries & Wages</u>			
Dispatchers	\$ 201,522.64	\$ 192,000.00	\$ (9,522.64)
Total Salaries & Wages	<u>\$ 201,522.64</u>	<u>\$ 192,000.00</u>	<u>\$ (9,522.64)</u>
<u>Employee Benefits</u>			
Social Security Tax	11,066.47	12,798.00	1,731.53
Medicare Tax	2,588.14	3,002.00	413.86
Unemployment	849.09	2,500.00	1,650.91
Medical Insurance	6,882.16	8,500.00	1,617.84
Life Insurance	1,514.46	1,500.00	(14.46)
Total Employee Benefits	<u>\$ 22,900.32</u>	<u>\$ 28,300.00</u>	<u>\$ 5,399.68</u>
<u>Contracted Services</u>			
Audit Services	-	2,000.00	2,000.00
Legal Services	3,600.00	3,600.00	-
Maintenance Agreements	3,515.15	-	(3,515.15)
Mapping/DB Consultants	10,663.11	10,000.00	(663.11)
NCIC/TBI/TIES Expenses	5,120.00	7,500.00	2,380.00
<u>Maintenance & Repairs</u>			
Communication Equipment	20,764.25	21,000.00	235.75
<u>Lease & Rental</u>			
Communication Equipment	2,000.00	-	(2,000.00)
Total Contracted Services	<u>\$ 45,662.51</u>	<u>\$ 44,100.00</u>	<u>\$ (1,562.51)</u>
<u>Supplies & Materials</u>			
Office Supplies	2,225.33	1,000.00	(1,225.33)
Postage	185.00	125.00	(60.00)
Small Equipment Purchases	1,723.47	-	(1,723.47)
<u>Utilities</u>			
General Telephone	14,546.53	13,000.00	(1,546.53)
Gas	179.48	-	(179.48)
Satellite	1,205.85	-	(1,205.85)
Total Supplies & Materials	<u>\$ 20,065.66</u>	<u>\$ 14,125.00</u>	<u>\$ (5,940.66)</u>

**JACKSON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
BUDGET AND ACTUAL (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Other Charges</u>			
Bank Charges	265.60	-	(265.60)
Dues & Memberships	120.00	-	(120.00)
<u>Insurance</u>			
Liability	9,689.11	8,500.00	(1,189.11)
Worker's Compensation	1,021.00	1,000.00	(21.00)
Legal Notices	412.70	450.00	37.30
Licenses & Fees	600.00	-	(600.00)
Premiums on Surety Bonds	1,028.47	1,100.00	71.53
Training Expenses	2,764.83	2,500.00	(264.83)
Travel Expenses	2,283.21	2,500.00	216.79
Uniforms	1,181.00	-	(1,181.00)
Miscellaneous	146.49	-	(146.49)
Printing & Reproduction	87.79	-	(87.79)
Total Other Charges	<u>\$ 19,600.20</u>	<u>\$ 16,050.00</u>	<u>\$ (3,550.20)</u>
Depreciation	<u>\$ 21,811.73</u>	<u>\$ -</u>	<u>\$ (21,811.73)</u>
Total Operating Expenses	<u>\$ 331,563.06</u>	<u>\$ 294,575.00</u>	<u>\$ (36,988.06)</u>
<u>Operating Income (Loss)</u>	<u>\$ (95,070.00)</u>	<u>\$ (90,575.00)</u>	<u>\$ (4,495.00)</u>
<u>Non-Operating Revenue and (Expense)</u>			
Interest Income	272.82	100.00	172.82
State – Grants & Reimbursements	10,000.00	10,000.00	-
Contributions from Primary Govts	53,900.00	53,900.00	-
Contributions from Other Govts	21,175.00	21,175.00	-
UCEMC Contract	5,000.00	5,500.00	(500.00)
Proceeds from Insurance	1,712.50	-	1,712.50
Electrical Permits	1,540.00	-	1,540.00
Interest Expense	(4,988.25)	-	(4,988.25)
Total Non-Operating Revenue & Expense	<u>\$ 88,612.07</u>	<u>\$ 90,675.00</u>	<u>\$ (2,062.93)</u>
Increase in Net Assets	<u>\$ (6,457.93)</u>	<u>\$ 100.00</u>	<u>\$ (6,557.93)</u>
Total Net Assets, July 1, 2009	103,208.86	55,000.00	48,208.86
Prior Period Adjustment	(141,870.14)	-	(141,870.14)
Total Net Assets, June 30, 2010	<u>\$ (45,119.21)</u>	<u>\$ 55,100.00</u>	<u>\$ (100,219.21)</u>

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

To the Board of Directors of the
Jackson County E-911 Emergency Communications District
Gainesboro, Tennessee

I have audited the financial statements of Jackson County Emergency Communications District as of and for the year ended June 30, 2010, and have issued my report thereon dated December 2, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Jackson County Emergency Communications District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Jackson County Emergency Communications District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Jackson County Emergency Communications District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, as discussed below, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and recommendations as items 10-1, 10-2 and 10-3 that I consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson County Emergency Communications District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance 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 recommendations as items 10-1, 10-2 and 10-3.

Jackson County Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. I did not audit the District's response and, accordingly, I express no opinion on it.

This report is intended for the information of the management and the State of Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties. However, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

December 2, 2010
Cookeville, Tennessee

Tamara L. Beckman, CPA

**JACKSON COUNTY E-911 EMERGENCY
COMMUNICATION DISTRICT
AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2010**

Finding 10-1

Several expense items exceeded the adopted budget amounts. This is a violation of Section 7-86-120 of the Tennessee Code Annotated.

Recommendation

When it is apparent that an expense item will exceed the budget, the budget should be amended. Accruals should also be considered.

Management Comment

We are currently working closely with the TECB on our budget to ensure that the actual expenses do not exceed budgeted amounts.

Finding 10-2

The District is not writing checks in sequential order. Two different General Ledgers (QuickBooks files) are being maintained by two different people, one of which is incomplete and does not match backup documentation on file. Several invoices are missing, mainly documentation for Debit Card purchases and reimbursements to individuals. Revenues and Expenses are not being coded to proper accounts; chart of accounts found in 911 Manual is not being used. Payroll system (in QuickBooks) is not setup correctly; wages, taxes and benefits are not being classified to proper accounts. Operating account is not being reconciled properly; all monthly reconciliations found were incorrect. June 30, 2010 statement did not have a reconciliation attached. The District is using a debit card without policies and procedure listing adequate internal control for usage.

Recommendation

Internal controls need to be setup and maintained by the District to insure proper documentation is being kept, money is being disbursed properly and general ledger is being kept correctly and accurately. Per TCA 4-30-103, before a district begins using an electronic banking system, they must write a report outlining policies and procedures to ensure adequate internal controls are in place. The District must then submit the report to the Comptroller's office for approval.

Management Comment

We are currently working with the TECB in setting up correct chart of accounts and subsequent internal controls.

Finding 10-3

The District defaulted on their agreement with the Marlin Financial. However, the Tennessee Emergency Communications Board paid off this debt for the District as listed in note 8.

Recommendation

District is required to make timely payments on all outstanding debt.

Management Comment

We agree with the auditor's finding and subsequent situation as described in the audit report and will begin making payments to the State of TN out of reserves as they become available.