

**OBION COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

FINANCIAL STATEMENTS

June 30, 2010

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

Introductory Section

Schedule of Officials..... 1

Financial Section

Independent Auditor's Report.....2
Statement of Net Assets.....4
Statement of Revenues, Expenses and Changes in Net Assets.....5
Statement of Cash Flows6
Notes to Financial Statements.....7

Supplementary Information Section

Budgetary Comparison Schedule11
Schedule of Federal and State Grant Activity13
Schedule of Information Required by the Tennessee Emergency
Communications Board - Unaudited.....14

Internal Control and Compliance Section

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*15
Schedule of Findings.....17
Summary Schedule of Prior Findings18

INTRODUCTORY SECTION

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

Board Members

Mark Watson – Chairman

Bob Reavis – Vice-Chairman

Harold Jenkins – Treasurer

Polk Glover – Secretary

Dan Boykin
Kathy Forrester
John Horner
Tim Partin
Kenny Thurmond

Management Official

Sherri Hanna – Executive Director

Independent Certified Public Accountants

Alexander Thompson Arnold PLLC
Union City, Tennessee

FINANCIAL SECTION



Certified Public Accountants

www.atacpa.net

624 East Reelfoot Avenue Telephone: (731) 885-3661
Union City, TN 38261 (800) 273-3240
Fax: (731) 885-6909

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Obion County Emergency Communications District, a component unit of Obion County, Tennessee, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Obion County 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 September 9, 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 assessing the results of our audit.

Dyersburg, TN
Henderson, TN
Jackson, TN
Martin, TN
McKenzie, TN

Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Obion County Emergency Communications District

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Obion County Emergency Communications District's financial statements as a whole. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The budgetary comparison schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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. The introductory section and the schedule of information required by the Tennessee Emergency Communications Board have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Alexander Thompson Arnold PLLC

Union City, Tennessee
September 9, 2010

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
June 30, 2010

Assets

Current assets:

Cash		\$ 94,868
Investments		336,802
Accounts receivable		13,163
Due from other governments		13,936
Prepaid expenses		<u>19,460</u>
Total current assets		478,229

Noncurrent assets:

Capital assets

Construction in progress	99,295	
Office equipment and furniture	147,081	
Vehicles	14,617	
Communications and mapping equipment	582,060	
Building and improvements	<u>361,981</u>	
Total capital assets	1,205,034	
Accumulated depreciation	<u>(456,307)</u>	
Net capital assets		<u>748,727</u>

Total assets		1,226,956
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Liabilities

Current liabilities:

Accounts payable		<u>69,875</u>
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Net assets

Invested in capital assets	748,727	
Unrestricted	<u>408,354</u>	
Total net assets		<u>\$ 1,157,081</u>

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

Operating revenue		
Emergency telephone service charge		\$ 193,147
State Emergency Communications Board - shared wireless charge		82,634
State Emergency Communications Board - operational funding		<u>147,617</u>
Total operating revenue		423,398
 Operating expenses		
Salaries and wages	216,132	
Employee benefits	21,476	
Contracted services	104,949	
Supplies and materials	17,527	
Other charges	25,038	
Depreciation and amortization	<u>88,887</u>	
Total operating expenses		<u>474,009</u>
 Operating income (loss)		 (50,611)
 Non-operating income		
Interest income	9,382	
State grants	<u>10,000</u>	
Total non-operating income		<u>19,382</u>
 Net income (loss)		 (31,229)
 Net assets - July 1, 2009		 <u>1,188,310</u>
 Net assets - June 30, 2010		 <u>\$ 1,157,081</u>

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

Cash flows from operating activities

Cash received from customers		\$ 474,505
Cash payments to suppliers for goods and services		(107,156)
Cash payments to employees for services		<u>(216,132)</u>
Net cash provided by operating activities		151,217

Cash flows from capital and related financing activities

Purchase of property, plant and equipment	(115,785)	
State grants	<u>10,000</u>	
Net cash used by capital and related financing activities		(105,785)

Cash flows from investing activities

Purchase of investments	(99,870)	
Maturities of investments	91,423	
Interest earned on investments	<u>9,382</u>	
Net cash provided by investing activities		<u>935</u>

Net increase in cash **46,367**

Cash - July 1, 2009 48,501

Cash - June 30, 2010 **\$ 94,868**

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

Operating income (loss)		\$ (50,611)
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities</i>		
Depreciation	78,272	
Decrease in accounts receivable	1,854	
Decrease in due from other governments	49,253	
Decrease in prepaid expenses	10,615	
Increase in accounts payable	<u>61,834</u>	
Total adjustments		<u>201,828</u>
Net cash provided by operating activities		<u>\$ 151,217</u>

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – Significant Accounting Policies

A. Reporting Entity

The Obion County Emergency Communications District was created on May 16, 1988, by the legislative body of Obion County, Tennessee, to be an emergency communications district as defined by Tennessee state law. As such, it is considered to be a "municipality" or public corporation in perpetuity under its corporate name and shall be a body politic and corporate with power of perpetual succession, but without power to levy or collect taxes. All Tennessee emergency communications districts are required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* developed by the Office of the Comptroller of the Treasury, Division of County Audit, pursuant to Section 7-86-304, *Tennessee Code Annotated*.

In evaluating how to define the Obion County Emergency Communications District for financial reporting purposes, management has considered whether the District is a primary government or a component unit of another primary government. The decision to be included as a component unit of another reporting entity is made by applying the criteria set forth in Governmental Accounting Standards Board Statement 14, *The Financial Reporting Entity*. The District must obtain the approval of the Obion County Commission before issuance of most debt instruments. The County has determined that this constitutes fiscal dependency by the District, and has, therefore, included the District as a component unit of Obion County.

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

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

The Obion County Emergency Communications District accounts for its financial position and results of operations in accordance with generally accepted accounting principles for proprietary funds as defined in the statements of the Governmental Accounting Standards Board (GASB). Generally accepted accounting principles for proprietary fund types are those applicable to similar businesses in the private sector, and the measurement focus is on the determination of net income, financial position, and cash flows. Proprietary fund types are accounted for on the accrual basis, whereby income is recognized as it is earned and expenses are recognized as they are incurred, whether or not cash is received or paid out at that time. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 gives governments the option of applying all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary funds, unless they conflict with or contradict GASB pronouncements. The Office of the Comptroller of the Treasury requires Tennessee emergency communications districts not to implement FASB statements and interpretations issued thereafter, unless they are adopted by GASB.

C. Assets, Liabilities, and Net Assets

Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of inception.

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

State statutes authorize the System to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations by the U.S. government or its agencies, repurchase agreements, as approved by the state director of local finance, and the State's local government investment pool.

Accounts receivable

Accounts receivable represents amounts due from various phone companies.

Capital assets

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

Compensated absences

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

Net assets

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

- Invested in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets.
- Unrestricted – all other net assets that do not meet the description of the above category.

NOTE 2 – Detailed Notes on Accounts

A. Deposits and investments

Custodial Credit Risk – The District's policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the State pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2010, all of the District's deposits were insured.

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

B. Capital assets

Capital asset activity during the year was as follows:

Description	Balance at June 30, 2009	Additions	Disposals	Balance at June 30, 2010
Construction in process	\$ -	\$ 99,295	\$ -	\$ 99,295
Capital assets, being depreciated				
Office equipment and furniture	\$ 147,081	\$ -	\$ -	\$ 147,081
Vehicles	14,617	-	-	14,617
Communications and mapping equipment	577,945	4,115	-	582,060
Building and improvements	349,606	12,375	-	361,981
Total capital assets being depreciated	<u>1,089,249</u>	<u>16,490</u>	<u>-</u>	<u>1,105,739</u>
Less accumulated depreciation				
Office equipment and furniture	47,967	16,095	-	64,062
Vehicles	14,617	-	-	14,617
Communications equipment	284,624	49,986	-	334,610
Building and improvements	30,827	12,191	-	43,018
Total accumulated depreciation	<u>378,035</u>	<u>78,272</u>	<u>-</u>	<u>456,307</u>
Total capital assets, net	<u>\$ 711,214</u>	<u>\$ 37,513</u>	<u>\$ -</u>	<u>\$ 748,727</u>

Depreciation expense for the year ended June 30, 2010, was \$78,272.

NOTE 3 – Stewardship, Compliance, and Accountability

Budgetary Information

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

Net income -- budgetary basis	\$ 11,939
Accrued income and expenses	(36,258)
Capitalized expenditures	<u>(6,910)</u>
Net income (loss) -- GAAP basis	<u>\$ (31,229)</u>

The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds. For the year ended June 30, 2010, there were no expenses that exceeded the budgeted amount.

OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 – Other Information

A. Risk Management

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

B. Unemployment Taxes

Effective for the quarter ended June 30, 1989, the Obion County Emergency Communications District agreed with the Tennessee Department of Labor and Workforce Development to be a reimbursing employer. Under this agreement, the District elected to reimburse the Department for all disbursements made on valid claims for unemployment insurance charged to the District during the effective period of the election. Current claims are being paid from the operating account and charged to unemployment expense. In order to fund future claims, amounts calculated quarterly were deposited into a savings account until the Board determined that the account was fully funded. All quarterly deposits were suspended and the funds were invested in a certificate of deposit. At June 30, 2010, the balance of this investment was \$20,285.

SUPPLEMENTARY INFORMATION SECTION

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Operating revenue				
Emergency telephone service charge	\$ 152,200	\$ 193,500	\$ 195,003	\$ 1,503
TECB - shared wireless charge	74,000	98,000	99,110	1,110
TECB - operational funding	<u>104,080</u>	<u>150,000</u>	<u>152,964</u>	<u>2,964</u>
Total operating revenue	<u>330,280</u>	<u>441,500</u>	<u>447,077</u>	<u>5,577</u>
Operating expenses				
Salaries and wages				
Director	37,000	37,010	37,000	(10)
Dispatchers	165,000	179,900	179,132	(768)
Employee benefits				
Social security	12,600	13,500	13,061	(439)
Medicare	3,000	3,200	3,056	(144)
Unemployment	6,000	2,000	754	(1,246)
Life insurance	500	300	198	(102)
Medical insurance	10,000	5,000	4,344	(656)
Supplementary insurance	-	200	63	(137)
Contracted services				
Addressing/mapping expense	300	300	126	(174)
Advertising	500	300	121	(179)
Audit services	3,100	3,100	3,025	(75)
Accounting services	2,500	2,500	2,244	(256)
Engineering services	3,000	8,000	6,910	(1,090)
Facility relocation expense	-	5,000	2,248	(2,752)
Fees paid to service providers	24,000	24,000	21,560	(2,440)
Maintenance agreement	23,200	30,000	24,302	(5,698)
Legal services	500	500	-	(500)
Pest control	400	1,200	1,160	(40)
Lease/Rental:				
Building rental	700	700	660	(40)
Maintenance and repairs				
Communications equipment	1,000	42,000	39,213	(2,787)
Building and facility	2,500	7,500	6,440	(1,060)
Office equipment	500	3,500	3,073	(427)
Vehicle	1,500	750	456	(294)
Fuel expense - vehicle	700	700	55	(645)
Language line	500	250	8	(242)
Other contracted services				
Mowing	750	850	775	(75)
Supplies and materials				
Office supplies	3,600	3,000	2,970	(30)
Custodial supplies	500	1,250	989	(261)
Recorder equipment	2,000	500	246	(254)
Postage	500	300	198	(102)
Small equipment purchases	500	600	218	(382)
Uniforms/Identification badges	100	100	28	(72)

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Utilities				
Electric	7,500	8,500	7,022	(1,478)
Gas - generator	500	600	515	(85)
Water	325	850	705	(145)
General telephone	3,800	4,100	3,745	(355)
Cell phones and pagers	800	1,200	895	(305)
Other charges				
Coke purchase	600	500	449	(51)
Cable	100	400	354	(46)
Board meeting expenses	1,250	1,600	1,358	(242)
Dues and memberships	1,000	1,000	850	(150)
Employee testing and exams	1,000	600	370	(230)
Insurance				
Workers compensation	1,200	1,000	486	(514)
Liability	4,000	4,600	4,478	(122)
Buildings and contents	1,000	2,000	1,845	(155)
Equipment	3,500	1,000	-	(1,000)
Vehicle	500	300	265	(35)
Premiums on surety bonds	1,500	2,000	250	(1,750)
Public education	300	400	261	(139)
Service awards	-	250	195	(55)
Training expenses	4,000	7,750	6,509	(1,241)
Travel expenses	5,000	6,000	5,965	(35)
Internet	900	900	867	(33)
Capital outlay	5,000	40,000	478	(39,522)
Miscellaneous expense	100	200	58	(142)
Amortization of prepaid maintenance expense	7,500	12,000	10,615	(1,385)
Depreciation	<u>78,000</u>	<u>85,000</u>	<u>78,272</u>	<u>(6,728)</u>
Total operating expenses	<u>436,325</u>	<u>560,760</u>	<u>481,440</u>	<u>(79,320)</u>
Operating income (loss)	<u>(106,045)</u>	<u>(119,260)</u>	<u>(34,363)</u>	<u>84,897</u>
Non-operating income				
Interest income	4,000	7,250	8,873	1,623
FEMA grant	-	300	511	211
GIS Mapping Grant	10,000	10,000	10,000	-
State reimbursement programs	<u>-</u>	<u>26,500</u>	<u>26,918</u>	<u>418</u>
Total non-operating income	<u>14,000</u>	<u>44,050</u>	<u>46,302</u>	<u>2,252</u>
Net income (loss)	<u>\$ (92,045)</u>	<u>\$ (75,210)</u>	<u>\$ 11,939</u>	<u>\$ 87,149</u>

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF INFORMATION REQUIRED BY THE
TENNESSEE EMERGENCY COMMUNICATIONS BOARD - UNAUDITED
June 30, 2010**

At June 30, 2010, the Obion County Emergency Communications District had only one public safety answering point (PSAP). The address of and the type of equipment used by the PSAP are as follows:

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

Equipment: Positron

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

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

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

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

www.atacpa.net

624 East Reelfoot Avenue Telephone: (731) 885-3661
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AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky 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***

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

We have audited the financial statements of the Obion County Emergency Communications District (a component unit of Obion County, Tennessee) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 9, 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 Obion County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Dyersburg, TN
Henderson, TN
Jackson, TN
Martin, TN
McKenzie, TN

Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

Board of Directors
Obion County Emergency Communications District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Obion County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

This report is intended solely for the information and use of the board of directors, management, and the State of Tennessee Comptroller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Thompson Arnold PLLC

Union City, Tennessee
September 9, 2010

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS
June 30, 2010**

Significant Deficiencies

97-1 Segregation of Duties

Condition: Due to the size of the staff, the Obion County Emergency Communications District could not fully segregate the record-keeping, custodial and authorization functions of its internal accounting controls for the year ended June 30, 2010.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

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

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

**OBION COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SUMMARY SCHEDULE OF PRIOR FINDINGS
June 30, 2010**

DISPOSITION OF PRIOR YEAR FINDINGS

- 97-1 Segregation of duties – repeated
- 09-1 Surety bond requirements – corrected