

POLK COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

TWELVE MONTHS ENDED JUNE 30, 2010

POLK COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

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June 30, 2010

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CARE OF: MAEGAN BALLEW- ADMINISTRATIVE ASSISTANT

Management's Discussion and Analysis

Our discussion and analysis of the Polk County 911 Emergency Communications District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2010. This should be read in conjunction with the District's financial statements, which may be found elsewhere in this document.

Using This Annual Report

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

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

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

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

	<u>2010</u>	<u>2009</u>
Net Assets		
Current and other assets	\$ 474,147	\$ 452,174
Capital assets	<u>245,857</u>	<u>165,477</u>
Total assets	720,004	617,651
Current liabilities	<u>(31,373)</u>	<u>(4,770)</u>
Net Assets	<u>\$ 688,631</u>	<u>\$ 612,881</u>
Summary of net assets - Invested in capital assets	\$ 245,857	\$ 165,477
Unrestricted	<u>442,774</u>	<u>447,404</u>
Total Net Assets	<u>\$ 688,631</u>	<u>\$ 612,881</u>
Change in Net Assets		
Operating revenues	\$ 225,790	\$ 189,177
Operating expenses	<u>165,043</u>	<u>155,831</u>
Operating income/(loss)	60,747	33,346
Non-operating income	<u>15,003</u>	<u>22,515</u>
Change in Net Assets	75,750	55,861
Net Assets - beginning	<u>612,881</u>	<u>557,020</u>
Net Assets - ending	<u>\$ 688,631</u>	<u>\$ 612,881</u>

Analysis of Financial Position and Results of Operations

The District's net assets have increased by \$75,750 over the previous year. Revenue increased 19.35% primarily due to an increase in TECB operational funding and additional funding received for Training. Operating expenditures were up 5.91% due to the addition of a training consultant, increases in accounting services, facilities maintenance repair, training and travel expenses this fiscal year.

The District's Net Assets

The District completed the year with net assets of \$688,631 an increase of \$75,750 over the previous year.

Budgetary Highlights

The actual charges to expenses were \$215,087 below the final budgeted amount. Contracts with government agencies were under the amount budgeted by \$190,000 due to the portion of West Polk Project that was completed this year was capitalized and the remainder is to be completed in 2011. Other budget variances are not considered significant and, therefore, not addressed here.

Actual revenues, in total exceeded budgeted revenues by \$35,444, with operating revenues being over budget by \$38,791 due to increases in operational and training funding.

Capital Assets

At the end of the accounting period, The District had \$245,857 in capital assets such as communications and office equipment, leasehold improvements. This amount represents an increase of \$80,380 or 48.57%. The increase is due to the additions to fixed assets offset by current year depreciation.

Financial Activity and Plans for Future Needs

The Board has plans on installing a generator at the backup PSAP also we have awarded a contract for new NG911 equipment that includes radio control within the software. There will be many changes that are to be addressed such as radio sites, new radio frequencies licenses, replacement of most all of our old computer systems and related hardware. We will attempt to move from analog to digital in every mode of public interaction we have currently. Training will be a focus this year for all our members and dispatchers.

Steven Lofty
Chairman of the Board

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT
June 30, 2010

Steve Lofty, Chairman

Bruce Wentworth, Vice Chairman

Ruth Patton, Treasurer

Wayne Loudermilk, Member

Easter Johnston, Member

Bill Smith, Member

HARTING, BISHOP & ARRENDALE, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA
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THOMAS H. ARRENDALE, CPA, MBA

JANICE L. HAYES, CPA
CASSIE BELL, CPA

MEMBER
AMERICAN INSTITUTE OF
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TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Polk County "911" Emergency Communications District, 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Polk County "911" Emergency Communications District, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2010, on our consideration of the Polk County "911" Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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

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

Harry B. Bost : *Amendable PLLC*

Cleveland, Tennessee
December 27, 2010

FINANCIAL SECTION

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 STATEMENT OF NET ASSETS
 June 30, 2010

ASSETS

Current Assets

Cash and cash equivalents	\$	197,368
Cetificates of deposit		245,865
Accounts receivable		5,351
Accrued interest receivable		279
Prepaid expenses		<u>1,802</u>
 Total Current Assets		 <u>450,665</u>

Capital Assets

Communication equipment		439,373
Furniture and fixtures		17,160
Office equipment		10,543
Leasehold improvements		<u>96,515</u>
		563,591
 Less Accumulated Depreciation		 <u>(317,734)</u>
 Capital Assets, net		 <u>245,857</u>

Other Assets

Equipment Deposit		<u>23,482</u>
 Total Other Assets		 <u>23,482</u>

Total Assets	\$	<u>720,004</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	<u>31,373</u>
 Total Liabilities		 <u>31,373</u>

Net Assets

Invested in capital assets		245,857
Unrestricted net assets		<u>442,774</u>
 Total Net Assets		 <u>688,631</u>

Total Liabilities and Net Assets	\$	<u>720,004</u>
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The accompanying notes are an integral part
of this financial statement.

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 For the Year Ended June 30, 2010

OPERATING REVENUES

Emergency telephone service charge	\$	62,742
TECB - shared wireless charge		40,568
TECB - operational funding		122,480
Total Operating Revenues		225,790

OPERATING EXPENSES

Contracted Services		
Addressing/Mapping expenses		38,385
Advertising		173
Audit services		4,000
Accounting services		10,400
Data processing service/ T Line		23,501
Fees paid to service providers		2,585
Legal services		5,400
Communication consultant		2,560
IT consultant		3,600
Training consultant		1,600
Rental/Buildings facilities		660
Maintenance and repairs - communications equipment		3,198
Total Contracted Services		96,062

Supplies and Materials

Office supplies		302
Postage		388
Utilities - electric		2,848
Utilities - gas		22
Utilities - water and sewer		232
Utilities - general telephone		2,690
Total Supplies and Materials		6,482

Other Charges

Board meeting expenses		385
Insurance - buildings and content		2,541
Licenses and fees		120
Premiums on surety bonds		925

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

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSESTS
 For the Year Ended June 30, 2010
 (Continued from previous page)

Public education	\$	85
Training expenses		4,038
Travel expenses		5,543
Internet charges		<u>2,196</u>
Total Other Charges		<u>15,833</u>
Depreciation		
Depreciation expense		<u>46,666</u>
Total Operating Expenses		<u>165,043</u>
Operating Income		<u>60,747</u>
NON-OPERATING REVENUE		
Interest income - checking		313
Interest income - certificate of deposit		4,690
TECB grant & reimbursements		<u>10,000</u>
Non-Operating Revenue		<u>15,003</u>
NET INCOME		75,750
Net assets, beginning		<u>612,881</u>
Net assets, ending	\$	<u><u>688,631</u></u>

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

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from surcharges and other revenues	\$ 249,461
Cash payments to suppliers for goods and services	<u>(91,567)</u>
Net cash provided by operating activities	<u>157,894</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants/Reimbursements TECB	<u>10,000</u>
Net cash provided by noncapital financing activities	<u>10,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(127,046)
Equipment deposits	<u>(23,482)</u>
Net cash used by capital and related financing activities	<u>(150,528)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of certificates of deposit	(4,652)
Interest income	<u>4,963</u>
Net cash provided by investing activities	<u>311</u>
Net increase in cash and cash equivalents	17,677
Cash and cash equivalents, beginning of year	<u>179,691</u>
Cash and cash equivalents, end of year	<u>\$ 197,368</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating	
Operating income	\$ 60,747
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating	
Depreciation expense	46,666
Change in assets and liabilities:	
Decrease in accounts receivables	23,671
Decrease in prepaid expenses	207
Increase in accounts payable	<u>26,603</u>
Net cash provided by operating activities	<u>\$ 157,894</u>

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

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - General Information

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

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

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

Cash and Cash Equivalents

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

Use of Estimates

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

Fixed Assets

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

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

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2010

NOTE 2 - Summary of Significant Accounting Policies (continued)

Component Unit

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

Budgets and Budgetary Accounting

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

NOTE 3 - Cash on Deposit

The treasurer of the District is responsible for receiving, disbursing, depositing and investing the District's funds. The District's policy related to deposits and investment risk is to invest in certificates of deposit usually with a maturity of three years or less. The District's policy is designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws. All deposits with a bank or other financial institution shall be secured by collateral or in a collateral pool as allowed by state statutes. As of June 30, 2010 all deposits with financial institutions were secured by collateral. A schedule of cash and investments classified by category of credit risk at June 30, 2010 is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash, insured by Federal Depository Insurance (FDIC)	\$ 197,368	\$ 223,548
Certificates of Deposit, insured by Federal Depository Insurance (FDIC)	154,364	154,364
Certificates of Deposit, Secured by Pledged Collateral	<u>91,501</u>	<u>91,501</u>
Total	<u>\$ 443,233</u>	<u>\$ 469,413</u>

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2010

NOTE 4 - Accounts Receivable

The account receivable balance represents amounts due from the telephone companies' subscriber service charges at June 30, 2010.

NOTE 5 - Fixed Assets

The following is a schedule of changes to fixed assets:

	June 30, 2009	Additions	Retirement s	June 30, 2010	Accumulated Depreciation June 30, 2010
Communications Equipment	\$ 365,100	\$ 74,273	\$ -	\$ 439,373	\$ 303,495
Furniture and Fixtures	17,160	-	-	17,160	3,872
Office Equipment	10,543	-	-	10,543	4,018
Leasehold Improvements	43,742	52,773	-	96,515	6,349
Total	<u>\$ 436,545</u>	<u>\$ 127,046</u>	<u>\$ -</u>	<u>\$ 563,591</u>	<u>\$ 317,734</u>

Provision for depreciation totaled \$46,666 for the year ended June 30, 2010.

NOTE 6 - Risk Management - Claims and Insurance

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

NOTE 7 - Lease Commitments

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

SUPPLEMENTARY INFORMATION

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended June 30, 2010

	Actual	Budget	Variance
	<u>(Accrual Basis)</u>	<u>(Accrual Basis)</u>	<u>(Over) Under</u>
OPERATING REVENUES			
Emergency telephone service charge	\$ 62,742	\$ 67,000	\$ 4,258
TECB - shared wireless charge	40,568	34,000	(6,568)
TECB - operational funding	<u>122,480</u>	<u>86,000</u>	<u>(36,480)</u>
Total Operating Revenues	<u>225,790</u>	<u>187,000</u>	<u>(38,790)</u>
OPERATING EXPENSES			
Contracted Services			
Addressing/Mapping expenses	38,385	40,300	1,915
Advertising	173	500	327
Audit services	4,000	4,000	-
Accounting services	10,400	9,600	(800)
Contracts with government agencies	-	190,000	190,000
Data processing service/ T Line	23,501	27,000	3,499
Fees paid to service providers	2,585	2,100	(485)
Legal services	5,400	6,000	600
Communication consultants	2,560	2,600	40
IT consultant	3,600	5,000	1,400
Training consultant	1,600	2,500	900
Rental/Buidlings facilities	660	1,450	790
Maintenance and repairs communication equip	3,198	6,000	2,802
Maintenance and repairs buildings facility	<u>-</u>	<u>3,000</u>	<u>3,000</u>
Total Contracted Services	<u>96,062</u>	<u>300,050</u>	<u>203,988</u>
Supplies and Materials			
Office supplies	302	2,000	1,698
Postage	388	300	(88)
Small equipment purchases	-	650	650
Utilities - electric	2,848	3,200	352
Utilities - gas	22	240	218
Utilities - water-sewer	232	220	(12)
Utilities - general telephone	<u>2,690</u>	<u>3,200</u>	<u>510</u>
Total Supplies and Materials	<u>6,482</u>	<u>9,810</u>	<u>3,328</u>

(Continued on next page)

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2010

(Continued from previous page)

	Actual	Budget	Variance
	<u>(Accrual Basis)</u>	<u>(Accrual Basis)</u>	<u>(Over) Under</u>
Other Charges			
Board meeting expenses	\$ 385	\$ 700	\$ 315
Insurance - buildings and content	2,541	2,500	(41)
Licenses and fees	120	570	450
Premiums on surety bonds	925	1,000	75
Public education	85	500	415
Training expenses	4,038	6,500	2,462
Travel expenses	5,543	7,500	1,957
Internet charges	2,196	3,000	804
Total Other Charges	<u>15,833</u>	<u>22,270</u>	<u>6,437</u>
Depreciation			
Depreciation expense	<u>46,666</u>	<u>48,000</u>	<u>1,334</u>
Total Depreciation	<u>46,666</u>	<u>48,000</u>	<u>1,334</u>
Total Operating Expenses	<u>165,043</u>	<u>380,130</u>	<u>215,087</u>
Operating Income (Loss)	<u>60,747</u>	<u>(193,130)</u>	<u>(253,877)</u>
NON-OPERATING REVENUE			
Interest income - checking	313	750	437
Interest income - certificate of deposit	4,690	7,600	2,910
TECB grant & reimbursements	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total Non-Operating Revenue	<u>15,003</u>	<u>18,350</u>	<u>3,347</u>
Net Income	<u>\$ 75,750</u>	<u>\$ (174,780)</u>	<u>\$ (250,530)</u>

INTERNAL CONTROL
AND COMPLIANCE SECTION

HARTING, BISHOP & ARRENDALE, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of Polk County "911" Emergency Communications District, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 27, 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 Polk County "911" Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Polk County "911" Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: 2010-1. 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.

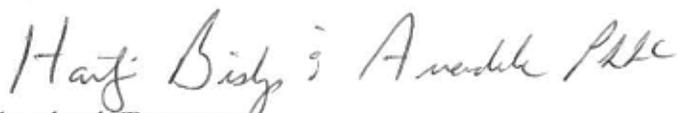
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County "911" Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items: 2010-2.

We noted certain matters that we reported to management of Polk County "911" Emergency Communications District, in a separate letter dated December 27, 2010.

Polk County "911" Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Polk County "911" Emergency Communications District's response and, accordingly, we express no opinion on it.

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

A handwritten signature in cursive script that reads "Hart Bishy".

Cleveland, Tennessee

December 27, 2010

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2010

The findings and recommendations as a result of the audit of the Polk County "911" Emergency Communications District are presented below. Finding 2010-1 and 2010-2 are repeated from the prior year ended June 30, 2009.

2010-1: Segregation of Duties

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

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

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

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

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

2010-2: Budget

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

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

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

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

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

POLK COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2010

2009-1: Segregation of Duties

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

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

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

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

Current Status: The staff size has not increased. This finding was noted for the 2010 audit.

2009-2: Budget

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

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

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

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

Current Status: District is diligently working to improve budget amendment process to ensure all expenditures are within the approved budget line items. This finding was noted for the 2010 audit.