

**HOUSTON COUNTY E-911 EMERGENCY
COMMUNICATIONS DISTRICT
JUNE 30, 2011**

**TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT**

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
JUNE 30, 2011**

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Statement of Net Assets	3
Statement of Revenues, Expenses and Changes in Fund Net Assets	4-5
Statement of Cash Flows	6
Notes to the Financial Statements	7-10
Budget and Actual	11-12
911 Board Members	13
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>	14-15
Findings & Recommendations	16

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Houston County E-911 Emergency Communications District
Carthage, Tennessee

I have audited the accompanying financial statements of the Houston County E-911 Emergency Communications District, a component unit of Houston County, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Houston 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 of America. 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 Houston County E-911 Emergency Communications District, as of June 30, 2011, and the results of its operations and the 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 5, 2011 on my consideration of the Houston County E-911 Emergency Communications District's internal control over financial reporting and my test 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 the 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 Houston 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 Houston 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 5, 2011
Cookeville, Tennessee

Tamara L. Beckman, CPA

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 125,661.17	
Certificates of Deposit	330,965.49	
Accounts Receivable	6,576.90	
Interest Receivable	3,129.63	
Due from State ECB	3,507.76	
Prepaid Expenses	<u>66.58</u>	
<u>Total Current Assets</u>		\$ 469,907.53

Non-Current Assets

Buildng & Improvements	28,371.15	
Less: A/D-Building & Improvements	(5,335.14)	
Communications Equipment	523,720.09	
Less: A/D-Communications Equipment	(325,070.69)	
Furniture & Fixtures	2,495.00	
Less: A/D-Furniture & Fixtures	(1,568.51)	
Office Equipment	669.95	
Less: A/D-Office Equipment	(669.95)	
Other Equipment	12,425.00	
Less: A/D-Other Equipment	(12,425.00)	
Vehicles	8,809.98	
Less: A/D-Vehicle	<u>(8,809.98)</u>	
<u>Total Non-Current Assets</u>		<u>222,611.90</u>

Total Assets **\$ 692,519.43**

LIABILITIES & NET ASSETS

Current Liabilities

Accounts Payable	589.65	
Advance from Primary Government-Current	<u>17,868.27</u>	
<u>Total Current Liabilities</u>		18,457.92

Long-Term Liabilities

Advance from Primary Government	<u>123,551.86</u>	
---------------------------------	-------------------	--

Total Liabilities **142,009.78**

Net Assets

Invested in Capital Assets, Net of Related Debt	81,191.77	
Unrestricted Net Assets	<u>469,317.88</u>	

Total Net Assets **\$ 550,509.65**

The Accompanying notes are in integral part of the financial statements

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

Operating Revenues

Emergency Telephone Service Charges	\$ 80,342.99	
State – Shared Wireless Charges	21,217.50	
State – Operational Funding Program	<u>132,108.74</u>	
Total Operating Revenue		\$ 233,669.23

Operating Expense

Contracted Services

Advertising	\$ 1,499.67	
Auditing Services	5,000.00	
Accounting Services	30.00	
Contract with County	78,000.00	
Contract with AT&T	6,840.00	
Maintenance Agreements	47,219.88	
Mapping & Database Consultants	400.00	
Pest Control	280.00	
L/R-Communications Equipment	900.00	
M&R-Communications Equipment	86,874.81	
M&R-Vehicles	<u>1,494.64</u>	
Total Contracted Services		\$ 228,539.00

Supplies & Materials

Office Supplies	620.50	
Postage	67.05	
Uniforms	431.29	
Utilities-Electric	2,686.83	
Utilities-Gas	134.47	
Utilities-General Telephone	<u>4,546.74</u>	
Total Supplies & Materials		8,486.88

The Accompanying notes are in integral part of the financial statements

*HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS, CONT'D
FOR THE YEAR ENDED JUNE 30, 2011*

<u>Other Charges</u>		
Bank Charges	35.00	
Dues & Memberships	100.00	
Premiums on Surety Bonds	150.00	
Training Expenses	550.00	
Travel Expenses	1,054.07	
Other	<u>182.45</u>	
Total Other Charges		2,071.52
Depreciation		<u>44,957.97</u>
Total Operating Expense		<u>284,055.37</u>
Net Operating Income (Loss)		(50,386.14)
<u>Non-Operating Revenue & Expense</u>		
Interest Income	5,411.11	
State-Grants & Reimbursements	10,000.00	
Insurance Proceeds	76,044.07	
Interest Expense	<u>(6,933.55)</u>	
Total Non-Operating Revenue & Expense		<u>84,521.63</u>
Increase in Net Assets		34,135.49
Total Net Assets, July 1, 2010		<u>516,374.16</u>
Total Net Assets, June 30, 2011		<u>\$ 550,509.65</u>

The Accompanying notes are in integral part of the financial statements

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2011**

Cash Flows From Operating Activities

Cash Received from Operations	\$ 233,815.51	
Cash Payments for Goods and Services	<u>(238,636.28)</u>	
Net Cash Provided by Operating Activities		\$ (4,820.77)

Cash Flows from Non-Capital Financing Activities

State-Grants & Reimbursements	10,000.00	
Insurance Proceeds	<u>76,044.07</u>	
Net Cash Provided by Non-Capital Financing Activities		\$ 86,044.07

Cash Flows from Capital & Related Financing Activities

Interest Paid	(6,933.55)	
Principal Payments on Loan	<u>(17,066.45)</u>	
Net Cash Used by Capital & Related Financing Activities		(24,000.00)

Cash Flows from Investing Activities

Interest Received on CDs & Money Market	5,442.92	
Transfer to CD's	<u>(105,074.84)</u>	
Net Cash Provided by Investing Activities		<u>(99,631.92)</u>

Net Decrease in Cash and Cash Equivalents		(42,408.62)
Cash and Cash Equivalent at June 30, 2010		<u>168,069.79</u>
Cash and Cash Equivalent at June 30, 2011		<u>\$ 125,661.17</u>

Reconciliation of Operating Income(Loss) to Net Cash

Provided (Used) by Operating Activities

Net Operating Income (Loss)	\$ (50,386.14)	
Depreciation	44,957.97	
Decrease in Accounts Receivable	253.97	
Increase in Due from State ECB	(107.69)	
Decrease in Prepaid Expense	90.68	
Increase in Accounts Payable	<u>370.44</u>	
Net Cash Provided by Operating Activities		<u>\$ (4,820.77)</u>

The Accompanying notes are in integral part of the financial statements

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The Houston County E-911 Emergency Communication District (District) was created under *Tennessee Code Annotated 7-86-104 et. Seq., Emergency Communications Districted Law* by a referendum of voters in Houston County, Tennessee (County) on August 6, 1992.

The purpose of the District is to provide a simplified means of securing emergency services by telephone to those persons living in the County. The County Commission has the authority to adjust rates charged by the District, and the County Commission must approve debts issued by the District.

The District is considered a component unit of the County because the Board of Directors is appointed by the County Mayor. The County Commission has the authority to adjust rates charged by the District, and the County Commission must approve most debts issued by the District.

Measurement Focus/Basis of Accounting

The accounting policy of the District conform to generally accepted accounting principles applicable to government as defined in the *Statements of Governmental Accounting Standards Board (GASB)*. The District also elected to apply generally accepted accounting principles as defined by *Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins* issued on or before November 30, 1989. After that date the District is required by the Office of the Comptroller of the Treasury to apply only GASB pronouncements.

The financial statements are prepared on the basis of GASB Statement Number 34, Basic Financial Statements, Management's Discussion and Analysis for State and Local Governments and related standards. This statement provides for various terminologies and includes recognition of capital grants in the Statement of Revenues, Expenses and Changes in Net Assets; a presentation of net assets; as well as an inclusion of a management discussion and analysis; supplementary information; and other changes.

The District is considered an enterprise fund, which uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for using an economic resources measurement focus. This means that all assets and liabilities (whether current or non-current) associated with this activity are included on the balance sheet. Their reported net assets is segregated into amounts invested in capital assets, restricted net assets, and unrestricted net assets. Proprietary funds type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Property and Equipment

Property and equipment is recorded at historical cost. Maintenance repairs and minor renewals are expensed as incurred. Depreciation has been provided over the estimated useful lives of the fixed assets by straight-line method. The estimated useful lives are as follows:

	<u>Method</u>	<u>Estimated Useful Life</u>	<u>2011 Depreciation</u>
Building & Improvements	S/L	5-40 Years	\$ 1,164.61
Communications Equipment	S/L	5-10 Years	43,397.96
Furniture & Fixtures	S/L	5-10 Years	395.40
Office Equipment	S/L	5 Years	--
Other Equipment	S/L	10 Years	--
Vehicles	S/L	5 Years	--
			<u>\$44,957.97</u>

Major Source of Revenue

The major source of operating revenue is emergency telephone and wireless surcharges. Non-operating revenue consists of interest income and State-Grants and Reimbursements.

Note 2 – Cash, Cash Equivalents and Cash Investments

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions. The following is a schedule of bank accounts at June 30, 2011:

Checking – Traditions First Bank	\$125,661.17
Certificates of Deposit – Traditions First Bank	<u>330,965.49</u>
Total	<u>\$456,626.66</u>

At June 30, 2011, the carrying amount of the Houston County E – 911 Emergency Communications District’s cash deposits was \$456,626.66 The District’s deposit accounts are covered up to \$250,000 by the Federal Deposit Insurance Corporation and \$250,000 is covered by collateral held by the bank in the District’s name. 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 3 – Bonding and Insurance

Houston County E-911 Emergency Communications District has a bond in the amount of \$15,000 covering the Treasurer only as of June 30, 2011.

Houston County carries insurance for various risks of loss related to tort, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, which also covers the District. There have been no claims or losses from the above risks that exceeded coverage in the past three years, and there has been no significant reduction in the limits of coverage.

Note 4 – Fixed Assets

The following is a schedule of equipment at June 30, 2011:

<u>Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Building & Improvements	\$ 28,371.15	\$ 5,335.14	\$ 23,036.01
Communications Equip.	523,720.09	325,070.69	198,649.40
Furniture & Fixtures	2,495.00	1,568.51	926.49
Office Equipment	669.95	669.95	--
Other Equipment	12,425.00	12,425.00	--
Vehicle	8,809.98	8,809.98	--
<u>Total Assets</u>	<u>\$576,491.17</u>	<u>\$353,879.27</u>	<u>\$222,611.90</u>

<u>Assets</u>	<u>Balance 6-30-10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6-30-11</u>
Building & Improvements	\$ 28,371.15	\$ --	\$ --	\$ 28,371.15
Communications Equip.	523,720.09	--	--	523,720.09
Furniture & Fixtures	2,495.00	--	--	2,495.00
Office Equipment	669.95	--	--	669.95
Other Equipment	12,425.00	--	--	12,425.00
Vehicle	8,809.98	--	--	8,809.98
<u>Total Assets</u>	<u>\$576,491.17</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$576,491.17</u>

Note 5 – Accounts Receivable/Due from State Emergency Communications Board

The amounts due to the District from the subscriber services and wireless charges include the following:

Peoples Telephone Co-op	\$ 6,281.54
AT&T Telephone Co-op	<u>295.36</u>
Subtotal	6,576.90
State Emergency Comm. Board	<u>3,507.76</u>
Total	<u>\$ 10,084.66</u>

Note 6 – Compensated Absences

There were no employees at June 30, 2011.

Note 7 – Invested in Capital Assets, Net of Related Debt

Total Non-current Assets	\$222,611.90
Equipment purchase in A/P	<141,420.13>
Invested in Capital Assets, Net of Related Debt	<u>\$ 81,191.77</u>

Note 8 – Budgetary Information

The District is required by Tennessee Code Annotated Title 7, Section 86, Chapter 120 to adopt a budget. The budget is prepared on the accrual basis of accounting. Compliance with the legally adopted budget is required at the line item level.

Note 9 – Occupancy In-Kind

Houston County provides all personnel, space, insurance and various utilities for the District’s operations in exchange for annual payments totaling \$78,000. No provisions have been made in these financial statements to recognize any amounts incurred by the County on the District’s behalf in excess of the annual payments.

Note 10 – Notes Payable

The District began the construction of a block building, tower, and acquired various emergency services equipment. The projects were completed and placed in-service during the year ended June 30, 2007. These projects were financed through an advance (approximately \$219,430) from the County. The advance is to be repaid to the County at a term of \$2,000 per month beginning in July 2006 for a period of twelve years with an annual interest rate of 4.6%. Interest expense during the construction phase in the amount of \$8,132 was capitalized as part of the overall costs of the communications equipment. The outstanding balance at June 30, 2011 was \$141,420.13. Future payments of the advance are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 17,868.27	\$ 6,131.73	\$ 24,000.00
2013	18,707.77	5,292.23	24,000.00
2014	19,586.70	4,413.30	24,000.00
2015	20,506.93	3,493.07	24,000.00
2016	21,470.39	2,529.61	24,000.00
Thereafter	<u>43,280.07</u>	<u>1,988.44</u>	<u>45,268.51</u>
Total	<u>\$141,420.13</u>	<u>\$23,848.38</u>	<u>\$165,268.51</u>

A schedule of changes in Notes Payable is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>6-30-10</u>	<u>Additions</u>	<u>Payments</u>	<u>6-30-11</u>
County Advance	<u>\$158,486.58</u>	\$ --	<\$17,066.45>	<u>\$141,420.13</u>
Total	<u>\$158,486.58</u>	\$ --	<\$17,066.45>	<u>\$141,420.13</u>

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
BUDGET AND ACTUAL
JUNE 30, 2011**

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance Under (Over)
<u>Operating Revenue</u>			
Emergency Telephone Service Charges	\$ 80,342.99	\$ 82,000.00	\$ (1,657.01)
State-Shared Wireless Charges	21,217.50	12,000.00	9,217.50
State-Operational Funding Program	132,108.74	80,215.00	51,893.74
<u>Total Operating Revenue</u>	<u>233,669.23</u>	<u>174,215.00</u>	<u>59,454.23</u>

Operating Expenses

Contracted Services

Advertising	1,499.67	1,500.00	0.33
Auditing Services	5,000.00	5,000.00	-
Accounting Services	30.00	100.00	70.00
Contract with County	78,000.00	102,000.00	24,000.00
Contract with AT&T	6,840.00	6,900.00	60.00
Maintenance Agreements	47,219.88	52,000.00	4,780.12
Mapping & Database Consultants	400.00	1,000.00	600.00
Pest Control	280.00	350.00	70.00
L/R-Communications Equipment	900.00	12,500.00	11,600.00
M&R-Communications Equipment	86,874.81	91,544.07	4,669.26
M&R-Vehicles	1,494.64	3,100.00	1,605.36
<u>Total Contracted Services</u>	<u>228,539.00</u>	<u>275,994.07</u>	<u>47,455.07</u>

Supplies & Materials

Office Supplies	620.50	700.00	79.50
Postage	67.05	100.00	32.95
Uniforms	431.29	1,000.00	568.71
Utilities-Electric	2,686.83	3,000.00	313.17
Utilities-Gas	134.47	150.00	15.53
Utilities-General Telephone	4,546.74	4,550.00	3.26
<u>Total Supplies & Materials</u>	<u>8,486.88</u>	<u>9,500.00</u>	<u>1,013.12</u>

Other Charges

Bank Charges	35.00	50.00	15.00
Dues & Memberships	100.00	200.00	100.00

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
BUDGET AND ACTUAL-CONT'D
JUNE 30, 2011**

Legal Notices	-	150.00	150.00
Licenses & Fees	-	300.00	300.00
Premiums on Surety Bonds	150.00	300.00	150.00
Training Expenses	550.00	8,000.00	7,450.00
Travel Expenses	1,054.07	1,800.00	745.93
Other	182.45	217.55	35.10
<u>Total Other Charges</u>	<u>2,071.52</u>	<u>11,017.55</u>	<u>8,946.03</u>
<u>Depreciation</u>	<u>44,957.97</u>	<u>-</u>	<u>(44,957.97)</u>
<u>Total Operating Expenses</u>	<u>284,055.37</u>	<u>296,511.62</u>	<u>12,456.25</u>
<u>Operating Income (Loss)</u>	<u>(50,386.14)</u>	<u>(122,296.62)</u>	<u>71,910.48</u>
<u>Non-Operating Revenue</u>			
Interest Income	5,411.11	1,525.00	3,886.11
State-Grants & Reimbursements	10,000.00	10,000.00	-
Other Income	76,044.07	-	76,044.07
Interest Expense	(6,933.55)	-	(6,933.55)
<u>Total Non-Operating Revenue</u>	<u>84,521.63</u>	<u>11,525.00</u>	<u>72,996.63</u>
Increase (Decrease) in Net Assets	<u>34,135.49</u>	<u>(110,771.62)</u>	<u>(144,907.11)</u>
Net Assets-Beginning of Period	<u>516,374.16</u>	<u>516,374.16</u>	<u>-</u>
Net Assets-End of Period	<u>\$ 550,509.65</u>	<u>\$ 405,602.54</u>	<u>\$ (144,907.11)</u>

**HOUSTON COUNTY E – 911
EMERGENCY COMMUNICATIONS DISTRICT
911 BOARD MEMBERS
JUNE 30, 2011**

Darrell Allison, Chairman
265 Sara Acres Dr.
Tennessee Ridge, TN 37178
Phone: (931) 721-4660
Cell: (931) 721-7371
Email: sheriffhcs@gmail.com

Nelda Ellingson, Treasurer
375 Marable Hollow Rd.
Erin, TN 37061
Phone: (931) 289-3323
Cell: (931) 289-6268
Email: N/A

David Hardin, Secretary
PO Box 202
Erin, TN 37061
Phone: (931) 289-3323
Fax: (931) 289-5892
Cell: (931) 237-0607
Email: dlmlhardin@msn.com

Mary Bowyer, Board Member
1034 Moore Branch Rd.
Erin, TN 37061
Phone: (931) 289-3725
Fax: (931) 289-2799
Other: (931) 289-3633
Email: N/A

George Clark, Board Member
PO Box 366
Erin, TN 37061
Phone: (931) 289-3565
Cell: (931) 721-6639
Email: N/A

Margaret Goodwin, Board Member
11211 Hwy 147
Stewart, TN 37175
Phone: (931) 721-3480
Cell: (931) 801-9064
Email: goodwin@peoplestel.net

Leon Hollis, Board Member
PO Box 389
Erin, TN 37061
Phone: (931) 232-8122
Fax: (931) 289-4711
Cell: (931) 289-9049
Email: hcems@peoplestel.net

Darrell Kingsmill, Board Member
PO Box 433
Erin, TN 37061
Phone: (931) 289-4067
Fax: N/A
Cell: (931) 721-6256
Email: s.foster2010@yahoo.com

Phillip Powell, Board Member
303 Rocky Ford Rd.
Clarksville, TN 37040
Phone: (931) 289-3347
Other: (931) 552-0017
Fax: (931) 289-5291
Cell: (931) 980-9295

TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT

6A SOUTH MADISON AVENUE
COOKEVILLE, TN 38501
Office (931) 526-5489
Fax (931) 526-9064

**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
Houston County E-911 Emergency Communications District
Carthage, Tennessee

I have audited the financial statements of Houston County Emergency Communications District as of and for the year ended June 30, 2011, and have issued my report thereon dated December 5, 2011. 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 Houston 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 Houston County Emergency Communications District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Houston 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 of this section and was not 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 I consider to be material weaknesses as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and recommendations that I consider to be significant deficiencies in internal control over financial reporting as items 11-1 and 11-2. 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 Houston 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 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 recommendations as items 11-1 and 11-2.

Houston County Emergency Communications District's response to the findings identified in my 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 5, 2011
Cookeville, Tennessee

Tamara L. Beckman, CPA

**HOUSTON COUNTY E-911
EMERGENCY COMMUNICATIONS DISTRICT
AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2011**

Prior Year Findings

Finding 10-01 & Finding 10-02 have been corrected.

Current Year Findings

Finding 11-1

The District's director and chairman are currently not bonded. Also, the surety bond of the treasurer, \$15,000 respectively, does not meet the minimum requirements set forth in Tennessee Code Annotated, Title 7, Section 86, Chapter 119(a).

Recommendation

Surety Bonds for the Director and Chairman should be purchased, as well as increasing the coverage of the Treasurer's bond. The Surety Bonds of the required members should be a minimum of \$24,000 each based on current year revenue.

Management Comment

All bonding issues have been resolved.

Finding 11-2

Lack of segregation of duties was noted. Director completes and signs the check requisitions, issues checks, is one of two signatures on checks, opens mail, takes deposits to bank, and has control over debit card. It can be assumed that if bank reconciliations were completed, the director would perform that duty as well.

Recommendation

Someone other than the director should assist in the accounting, disbursement and receipt of funds.

Management Comment

The ECD has a new Treasurer and that individual will be more involved in the accounting process and this should correct this problem as recommended.