

MEIGS COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

TWELVE MONTHS ENDED JUNE 30, 2011

MEIGS COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

CONTENTS

June 30, 2011

Management's Discussion and Analysis	1-3
Roster of Board of Directors and Management	4
<u>Financial Section</u>	
Independent Auditors' Report	5-6
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets	8-9
Statement of Cash Flows	10
Notes to Financial Statements	11-13
<u>Supplementary Information</u>	
Budgetary Comparison Schedule	14-15
<u>Internal Control and Compliance Section</u>	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting	16-17
Schedule of Findings and Recommendations	18
Schedule of Prior Audit Findings	19



Meigs County Emergency Communications District

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Kelly Bredwell
Director

Management's Discussion and Analysis

Our discussion and analysis of the Meigs County "911" Emergency Communications District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. 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>2011</u>	<u>2010</u>
Net Assets		
Current and other assets	\$ 490,657	\$ 403,606
Capital assets	<u>119,198</u>	<u>134,381</u>
Total assets	609,855	537,987
Current liabilities	<u>(6,305)</u>	<u>(125)</u>
Net Assets	<u>\$ 603,550</u>	<u>\$ 537,862</u>
Summary of net assets -		
Invested in capital assets	\$ 119,198	\$ 134,381
Unrestricted	<u>484,352</u>	<u>403,481</u>
Total Net Assets	<u>\$ 603,550</u>	<u>\$ 537,862</u>
Change in Net Assets		
Operating revenues	\$ 231,898	\$ 211,347
Operating expenses	<u>175,751</u>	<u>173,031</u>
Operating income	56,147	38,316
Non-operating income	<u>9,541</u>	<u>37,396</u>
Change in Net Assets	65,688	75,712
Net Assets	<u>537,862</u>	<u>462,150</u>
Net Assets - ending	<u>\$ 603,550</u>	<u>\$ 537,862</u>

Analysis of Financial Position and Results of Operations

The District's net assets have increased by \$65,688 over the previous year. Operating revenue increased by 9.72%, primarily due to the increase of TECB Operation Funding. Operating expenditures increased 1.57%.

The District's Net Assets

The District completed the year with net assets of \$603,550 an increase of \$65,688 over the previous year.

Budgetary Highlights

In order to prevent budget overruns, the final budget was amended. The significant changes were to mapping/addressing, maintenance and repairs, and contracts with government agencies. Expenses of \$175,751, reported on page 9, differ from the District's expenses of \$158,617 reported on the budgetary comparison schedule on page 14. This difference arises due to the budget prepared on cash basis.

Capital Assets

At the end of the accounting period, The District had \$119,198 in capital assets such as communications and office equipment, furniture and fixtures, vehicles and leasehold improvements. This amount represents an decrease of \$15,183 or 11.3% due to current year depreciation.

Financial Activity and Plans for Future Needs

During FY 2011, the ECD Board frugally stewarded its fiscal resources and, once again, enhanced its fiscal strength by increasing net assets. The ECD continued to support emergency communications by investing in new technology and assisting the County in the upgrade of physical facilities used for the 911 service. The ECD is preparing for the implementation of "next generation" 911 (NG-911), which is expected to be available at the end of FY 2012. Equipment necessary for NG-911 is funded by the Tennessee Emergency Communications Board (TECB).

The ECD is preparing for a period of decline in 911 revenues, as the decline of landline fees continues unabated, while growth of 911 fees from wireless / cellular devices no longer is sufficiently robust to offset the trend. No legislation is on the horizon that would improve revenues; thus, the ECD is "battening-down the hatches" for a fiscally stormy period that could extend for several years. Local governments will be required to fund discretionary expenditures in the future, as the ECD must carefully retain existing reserves to offset equipment replacement costs and other mandatory expenditures.

Hugh Bryan
Chairman of Board

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT
June 30, 2011

Hugh Bryan, Chairman

George Billingsley, Vice Chairman

Jeff Thompson, Treasurer

Danny Smith, Member

Wayne Jarvis, Member

Tracey Simpson, Member

Richard McAllister, Member

FINANCIAL SECTION

HARTING, BISHOP & ARRENDALE, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA
KELVIN W. BISHOP, CPA
THOMAS H. ARRENDALE, CPA, MBA

JANICE L. HAYES, CPA
CASSIE BELL, CPA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Meigs County "911" Emergency Communications District (the District), a component unit of Meigs County, as of and for the year ended June 30, 2011. 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.

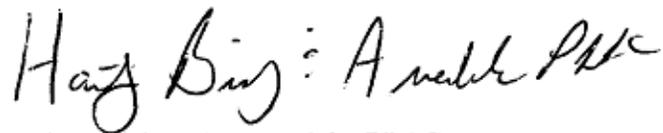
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Meigs County "911" Emergency Communications District, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof 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 January 24, 2012, on our consideration of the Meigs 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

A handwritten signature in black ink that reads "Harting Bishop & Arrendale PLLC". The signature is written in a cursive, flowing style.

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee

January 24, 2012

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 STATEMENT OF NET ASSETS
 June 30, 2011

ASSETS

Current Assets

Cash and cash equivalents	\$	331,815
Certificates of deposit		141,151
Accounts receivable		6,167
Accrued interest receivable		162
Prepaid expenses		<u>11,362</u>
Total Current Assets		<u>490,657</u>

Capital Assets

Furniture and fixtures		2,071
Office equipment		6,852
Communication equipment		333,220
Leasehold improvements		<u>21,713</u>
		363,856
Less Accumulated Depreciation		<u>(244,658)</u>
Capital Assets, net		<u>119,198</u>

Total Assets \$ 609,855

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable		\$ <u>6,305</u>
Total Liabilities		<u>6,305</u>

Net Assets

Invested in capital assets		119,198
Unrestricted net assets		<u>484,352</u>
Total Net Assets		<u>603,550</u>

Total Liabilities and Net Assets \$ 609,855

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

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 For the Year Ended June 30, 2011

OPERATING REVENUES

Emergency telephone service charge	\$	70,855
TECB - shared wireless charge		28,934
TECB - operational funding		<u>132,109</u>
Total Operating Revenues		<u>231,898</u>

OPERATING EXPENSES

Contracted Services		
Addressing/Mapping expense		5,247
Audit services		4,020
Accounting services		1,500
Contracts with government agencies		75,000
Fees paid to service providers		14,844
Legal services		4,800
NCIC/TBI/TIES expenses		15,008
Maintenance and repairs - communications equipment		<u>11,316</u>
Total Contracted Services		<u>131,735</u>

Supplies and Materials

Office supplies		<u>3,293</u>
Total Supplies and Materials		<u>3,293</u>

Other Charges

Bank charges		20
Board meeting expenses		1,089
Dues and memberships		192
Legal notices		102
Premiums on surety bond		573
Public education		450
Training expenses		115
Travel expenses		<u>1,776</u>
Total Other Charges		<u>4,317</u>

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

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

Depreciation	
Depreciation expense	\$ 36,406
Total Operating Expenses	<u>175,751</u>
Operating Income	<u>56,147</u>
NON-OPERATING REVENUE/(EXPENSES)	
Interest income	1,653
TECB grant & reimbursements	10,000
Loss on disposal of assets	<u>(2,112)</u>
Non-operating revenue/(expenses)	<u>9,540</u>
NET INCOME	65,688
Net assets, beginning	<u>537,862</u>
Net assets, ending	<u>\$ 603,550</u>

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

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 STATEMENT OF CASH FLOWS
 For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from surcharges and other revenues	\$ 232,748
Cash payments to suppliers for goods and services	<u>(135,282)</u>
Net cash provided by operating activities	<u>97,466</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	
Insurance Reimbursement	9,895
Purchase of capital assets	<u>(23,335)</u>
Net cash used by capital and related financing activities	<u>(13,440)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of certificate of deposit	(1,019)
Interest income received	<u>1,675</u>
Net cash provided by investing activities	<u>656</u>
Net increase in cash and cash equivalents	94,682
Cash and cash equivalents, beginning of year	<u>237,133</u>
Cash and cash equivalents, end of year	<u>\$ 331,815</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating income	\$ 56,147
Adjustments to reconcile operating income to net cash provided by (used by) operating	
Depreciation expense	36,406
Change in assets and liabilities:	
Decrease in accounts receivable	849
Increase in prepaid expenses	(2,116)
Increase in accounts payable	<u>6,180</u>
Net cash provided by operating activities	<u>\$ 97,466</u>

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

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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 Meigs 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

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2011

NOTE 2 - Summary of Significant Accounting Policies (continued)

Component Unit

The Meigs County "911" Emergency Communications District is a component of Meigs County, Tennessee. As such, Meigs 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 Meigs County and any bonds issued by the District are subject to approval by Meigs 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. The District has elected to prepare budgets based upon the cash basis of accounting, which is allowable by state statutes. The budget is legally enacted through passage of an ordinance. Cash basis 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, 2011 all deposits with financial institutions were secured by collateral or by State of TN Bank collateral pool. A schedule of cash and investments classified by category of credit risk at June 30, 2011 is as follows:

	Carrying Amount	Bank Balance
Cash, insured by Federal Depository Insurance (FDIC)	\$ 331,815	\$ 334,109
Certificates of Deposit, insured by FDIC	141,151	141,151
Total	\$ 472,966	\$ 475,260

NOTE 4 - Accounts Receivable

The account receivable balance represents amounts due from the telephone companies' subscriber service charges at June 30, 2011.

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2011

NOTE 5 - Fixed Assets

The following is a schedule of changes to fixed assets:

	June 30, 2010	Additions	Retirements	June 30, 2011	Accumulated Depreciation June 30, 2011
Communications Equipment	\$ 320,314	\$ 17,740	\$ 4,834	\$ 333,220	\$ 228,063
Furniture and Fixtures	2,071	-	-	\$ 2,071	1,362
Office Equipment	16,118	5,595	-	\$ 21,713	11,182
Leasehold Improvements	20,024	-	13,172	\$ 6,852	4,051
Vehicles	2,500	-	2,500	\$ -	-
Total	<u>\$ 361,027</u>	<u>\$ 23,335</u>	<u>\$ 20,506</u>	<u>\$ 363,856</u>	<u>\$ 244,658</u>

Provision for depreciation totaled \$36,406 for the year ended June 30, 2011.

NOTE 6 - Risk Management - Claims and Insurance

Significant losses are covered by commercial insurance for property, liability, and employee dishonesty covered by Meigs County Government. 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 - Impact Payments

The communications center is located in the Meigs County Jail. The District will make impact payments to the County of Meigs per the terms of the 2004 Communications Agreement. Impact payments for the year ended June 30, 2011 totaled \$75,000.

NOTE 8 - Subsequent Events

Subsequent events were evaluated through January 24, 2012 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended June 30, 2011

	Actual Cash Basis	Budget Cash Basis	Variance (Over) Under
CASH RECEIPTS			
Emergency telephone service charge	\$ 71,704	\$ 86,000	\$ 14,296
TECB - shared wireless charge	28,935	26,500	(2,435)
TECB - operational funding	132,109	124,109	(8,000)
Interest income	1,675	-	(1,675)
TECB grants & reimbursements	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
 Total cash basis revenues	 <u>244,423</u>	 <u>236,609</u>	 <u>(7,814)</u>
CASH EXPENDITURES			
Addressing/Mapping expenses	4,740	4,600	(140)
Audit services	4,020	4,020	-
Accounting services	1,500	1,500	-
Contracts with government agencies	75,000	94,480	19,480
Fees paid to service providers	14,844	20,000	5,156
Legal services	4,800	5,800	1,000
NCIC/TBI/TIES expenses	35,238	12,000	(23,238)
Maintenance and repairs - communication equipment	11,316	12,500	1,184
Other contracted services	-	5,000	5,000
Office supplies	3,293	5,000	1,707
Postage	-	100	100
Utilities - general telephone	-	2,500	2,500
Bank charges	20	-	(20)
Board meeting expenses	1,011	2,000	989
Dues and memberships	192	500	308
Legal notices	102	200	98
Premiums on surety bonds	200	2,800	2,600
Public education	450	2,000	1,550
Training expenses	115	3,000	2,885
Travel expenses	<u>1,776</u>	<u>2,500</u>	<u>724</u>
 Total cash basis expenses	 <u>158,617</u>	 <u>180,500</u>	 <u>21,883</u>
 Cash Basis Net Income	 <u>\$ 85,806</u>	 <u>\$ 56,109</u>	 <u>\$ (29,697)</u>

(Continued on next page)

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended June 30, 2011
 (Continued from previous page)

Reconciliation of Cash Basis to Accrual Basis	<u>Actual Cash Basis</u>
Depreciation expense	\$ (36,406)
Loss on disposal of assets	(2,112)
Decrease in accounts receivable	(849)
Decrease in accrued interest receivable	(22)
Increase in prepaid expenses	2,116
Increase in accounts payable	(6,180)
Purchase of capital assets	<u>23,335</u>
Net Reconciliation Cash to Accrual	<u>(20,118)</u>
Increase in Net Assets (Accrual)	65,688
Net assets, beginning	<u>537,862</u>
Net assets, ending	<u>\$ 603,550</u>

INTERNAL CONTROL
AND COMPLIANCE SECTION

HARTING, BISHOP & ARRENDALE, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA
KELVIN W. BISHOP, CPA
THOMAS H. ARRENDALE, CPA, MBA

JANICE L. HAYES, CPA
CASSIE BELL, CPA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE 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*

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

We have audited the financial statements of Meigs County "911" Emergency Communications District, a component unit of Meigs County, as of and for the year ended June 30, 2011, and have issued our report thereon dated January 24, 2012. 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 Meigs 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 Meigs 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 recommendations that we consider to be significant deficiencies in internal control over financial reporting: 2011-1. 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.

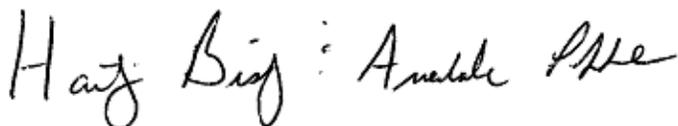
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meigs 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 recommendations as items 2011-2.

We noted certain matters that we reported to management of Meigs County "911" Emergency Communications District, in a separate letter dated January 24, 2012.

Meigs County "911" Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit Meigs 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, Board of Directors, 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 black ink, appearing to read "Annette P. He". The signature is written in a cursive style.

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee

January 24, 2012

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2011

The findings and recommendations as a result of the audit of the Meigs County "911" Emergency Communications District are presented below. Finding 2011-1 and 2011-2 are repeated from the prior year ended June 30, 2010.

2011-1: 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 Meigs 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.

2011-2: Budget

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

Effect: The 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.

MEIGS COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2011

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 Meigs 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 2011 audit.

2010-2: Budget

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

Effect: The 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.

Current Status: The District is diligently working to improve the budget amendment process to insure all expenditures are within the approved budget line items. This finding was noted for the 2011 audit.