

**BENTON COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

FINANCIAL STATEMENTS

June 30, 2012

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
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INTRODUCTORY SECTION

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

June 30, 2012

Jerold Johnson – Chairman

John Smoot – Secretary/Treasurer and Interim Director of Operations

William Bell – Vice-chairman

Dwayne Presson
Travis Pierce
George Montgomery
Richard Kee
Raymond Palen

FINANCIAL SECTION

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AICPA Employee Benefit Plan Audit Quality Center
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Independent Auditor's Report

Board of Directors
Benton County Emergency Communications District

We have audited the accompanying financial statements of the Benton County Emergency Communications District, a component unit of Benton County, Tennessee, as of and for the year ended June 30, 2012, 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 in the first paragraph present fairly, in all material respects, the financial position of the Benton County Emergency Communications District as of June 30, 2012, 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 March 26, 2013, 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.

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 District's financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 budgetary comparison schedule is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of officials is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has 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
March 26, 2013

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
 JUNE 30, 2012

ASSETS

Current assets

Cash	\$ 695,171
Accounts receivable	12,139
Prepaid expense	<u>25,490</u>
Total current assets	732,800

Noncurrent assets

Communications equipment	230,028
Leasehold improvements	26,962
Other equipment	73,037
Furniture and fixtures	11,148
Accumulated depreciation	<u>(117,673)</u>
Total noncurrent assets	<u>223,502</u>

Total assets	<u>956,302</u>
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LIABILITIES

Current liabilities

Accounts payable	<u>8,383</u>
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NET ASSETS

Invested in capital assets	223,502
Unrestricted	<u>724,417</u>
Total net assets	<u>\$ 947,919</u>

The accompanying notes are an integral part of these financial statements.

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

For the Year Ended June 30, 2012

Operating revenue		
TECB - shared wireless charge		\$ 39,202
TECB - operational funding		169,323
Emergency telephone service charge		<u>73,379</u>
Total operating revenue		281,904
Operating expenses		
Contracted services		
Addressing/mapping expense	20,216	
Audit services	4,925	
Accounting services	3,600	
Data processing services	984	
Engineering services	980	
Fees paid to service provider	348	
Legal services	92	
Maintenance agreement	18,687	
Mapping/database consultants	200	
Lease/rental - communications equipment	46,164	
Repair and maintenance - communications equipment	3,340	
Repair and maintenance - building and facilities	18,918	
Supplies and materials		
Office supplies	598	
Data processing supplies	254	
Small equipment purchases	3,703	
Postage	34	
Bank service charges	51	
Uniforms and shirts	152	
Utilities	1,963	
Other charges		
Insurance - liability	9,798	
Legal notices	61	
Licenses and fees	96	
Insurance - surety bonds	793	
Public education	274	
Training	15,981	
Travel	40	
Internet charges	1,314	
Other charges - maintenance and repair	69	
Depreciation expense	<u>17,008</u>	
Total operating expenses		<u>170,643</u>
Operating income		111,261
Non-operating revenues		
Interest income		<u>2,694</u>
Net income		113,955
Net assets - July 1, 2011		<u>833,964</u>
Net assets - June 30, 2012		<u>\$ 947,919</u>

The accompanying notes are an integral part of these financial statements.

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

Cash flows from operating activities	
Cash received from surcharges and other operating revenue	\$ 276,852
Cash payments to suppliers for goods and services	<u>(180,731)</u>
Net cash provided by operating activities	96,121
Cash flows from capital and related financing activities	
Purchases of property, plant, and equipment	(120,441)
Cash flows from investing activities	
Interest earned on investments	<u>2,694</u>
Net decrease in cash	(21,626)
Cash - July 1, 2011	<u>716,797</u>
Cash - June 30, 2012	<u><u>\$ 695,171</u></u>

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 111,261
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	17,008
Increase in accounts receivable	(5,052)
Increase in prepaid expense	(21,138)
Decrease in accounts payable	<u>(5,958)</u>
Total adjustments	<u>(15,140)</u>
Net cash provided by operating activities	<u>\$ 96,121</u>

The accompanying notes are an integral part of these financial statements.

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Benton County Emergency Communications District was created on August 4, 1988 by a referendum of voters in Benton 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* (TCA).

In evaluating how to define the Benton 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 Board of Directors of the District are appointed by the County Commission. The County Commission has the authority to adjust the rates charged by the District, and the District must obtain the approval of the 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 Benton County in its financial statements.

Since the District is deemed to be a municipality under Tennessee state law, it is exempt from federal income taxes.

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

The Benton County Emergency Communications District accounts for its financial position and results of operations in accordance with generally accepted accounting principles as defined in the statements of the Governmental Accounting Standards Board (GASB) for proprietary funds. 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 Governmental Accounting Standards Board 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.

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

C. Budgetary Information

The District is required by TCA Section 7-86-120 to adopt an annual budget. For the year ended June 30, 2012, the District budgeted in accordance with generally accepted accounting principles. 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, 2012, there were several line items that exceeded the amounts budgeted (see supplementary budget schedule for details). The only material violation was in repairs and maintenance of buildings and facilities for \$18,918 due to the reclassification to expense of items originally recorded as capital expenditures in error.

D. 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. 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.

Revenues and receivables

The District receives its revenue from monthly fees paid by service users in the County. AT&T, the major service supplier in Benton County, and other telephone companies collect the service fees and remit the funds to the District, after retaining an administrative fee ranging from one to three percent of collections. Accounts receivable represent amounts due from the telephone companies. The District also receives a portion of the wireless phone surcharge collected by the Tennessee Emergency Communications Board (TECB). A receivable from TECB is recorded for amounts collected by the State prior to year end, but not remitted to the District until after June 30.

Capital assets

Capital assets are stated at cost. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life that exceeds one year. Assets consist of communications equipment, furniture and fixtures, leasehold improvements, and other equipment, which are depreciated using the straight-line method over estimated useful lives ranging from 5-15 years.

Net assets

Equity is reported as net assets, which are classified into the following components as applicable:

- 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
- Restricted – net assets when constraints are placed on their use by external third parties or imposed by law
- Unrestricted – all other net assets that do not meet the definition of the other categories

The District elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2012

Occupancy in-kind

Benton County provides the District with personnel, facilities and related utilities for the District's operations. No provision has been made in these financial statements to recognize any amounts incurred by the County on the District's behalf.

Personnel

The District has no employees. All dispatch functions are conducted by employees of Benton County.

NOTE 2 – DETAILED NOTES ON ACCOUNTS

A. Deposits and Investments

As of June 30, 2012, the District had demand deposits at financial institutions in checking accounts, savings accounts, money market accounts and certificates of deposit.

Custodial Credit Risk - The District's policies limit deposits and investments to those instruments allowed by applicable state laws and 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. 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, 2012, all of the District's deposits were insured or collateralized.

B. Capital Assets

Description	Balance 7/1/11	Additions	Disposals	Balance 6/30/12
Capital assets, being depreciated				
Communications equipment	\$ 116,927	\$ 113,101	\$ -	\$ 230,028
Leasehold improvements	26,962	-	-	26,962
Other equipment	73,037	-	-	73,037
Furniture and fixtures	3,808	7,340	-	11,148
Total capital assets being depreciated	<u>220,734</u>	<u>120,441</u>	<u>-</u>	<u>341,175</u>
Less accumulated depreciation				
Communications equipment	52,599	6,195	-	58,794
Leasehold improvements	5,777	2,078	-	7,855
Other equipment	41,846	7,996	-	49,842
Furniture and fixtures	443	739	-	1,182
Total accumulated depreciation	<u>100,665</u>	<u>17,008</u>	<u>-</u>	<u>117,673</u>
Total capital assets, net	<u>\$ 120,069</u>	<u>\$ 103,433</u>	<u>\$ -</u>	<u>\$ 223,502</u>

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks related to general and public officials liability, officers/directors errors and omissions liability and property and casualty losses. It is the District's policy to purchase commercial insurance for these risks. Settlements have not exceeded insurance coverage in any of the prior three years.

B. Commitments

During the year ended June 30, 2007, the District entered into a five-year service contract with AT&T in conjunction with the purchase of equipment. The monthly service fee as of June 30, 2012, is \$3,847. If terminated, the service contract calls for a termination charge equal to the number of months remaining in the contract term multiplied by sixty percent (60%) of the monthly service fee. The District does not anticipate terminating the service contract.

SUPPLEMENTARY INFORMATION SECTION

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
BUDGETARY COMPARISON SCHEDULE**

For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Operating revenue				
TECB - shared wireless charge	\$ 45,000	\$ 40,000	\$ 39,202	\$ (798)
TECB - operational funding	196,000	162,000	169,323	7,323
Emergency telephone service charge	<u>77,000</u>	<u>75,000</u>	<u>73,379</u>	<u>(1,621)</u>
Total operating revenue	<u>318,000</u>	<u>277,000</u>	<u>281,904</u>	<u>4,904</u>
Operating expenses				
Contracted services				
Addressing/mapping expense	15,000	20,000	20,216	216
Audit services	4,925	4,925	4,925	-
Accounting services	3,600	3,600	3,600	-
Data processing services	300	1,000	984	(16)
Engineering services	-	1,000	980	(20)
Fees paid to service provider	350	350	348	(2)
Legal services	400	100	92	(8)
Maintenance agreement	17,600	17,600	18,687	1,087
Mapping/data base consultants	1,200	1,200	200	(1,000)
Lease/rental - communications equipment	30,000	48,000	46,164	(1,836)
Repair and maintenance - communications equipment	3,000	3,000	3,340	340
Repair and maintenance - building and facilities	-	-	18,918	18,918
Repair and maintenance - office equipment	1,000	1,000	-	(1,000)
Director	40,000	-	-	-
Supplies and materials				
Office supplies	1,500	1,500	598	(902)
Data processing supplies	1,000	1,000	254	(746)
Small equipment purchases	3,000	3,000	3,703	703
Postage	500	500	34	(466)
Bank service charges	75	100	51	(49)
Uniforms and shirts	-	-	152	152
Utilities	4,200	3,000	1,963	(1,037)
Other supplies and materials	-	200	-	(200)
Other charges				
Dues and memberships	350	350	-	(350)
Insurance - liability	10,268	10,268	9,798	(470)
Legal notices	125	125	61	(64)
Licenses and fees	-	100	96	(4)
Insurance - surety bonds	2,740	1,740	793	(947)
Board meeting expenses	200	200	-	(200)
Public education	500	500	274	(226)
Training	8,000	16,000	15,981	(19)
Travel	2,000	100	40	(60)
Internet charges	1,500	1,500	1,314	(186)
Other charges - maintenance and repair	1,000	100	69	(31)
Depreciation expense	<u>64,000</u>	<u>20,000</u>	<u>17,008</u>	<u>(2,992)</u>
Total operating expenses	<u>218,333</u>	<u>162,058</u>	<u>170,643</u>	<u>8,585</u>
Operating income	<u>99,667</u>	<u>114,942</u>	<u>111,261</u>	<u>(3,681)</u>
Non-operating revenues				
Interest income	4,681	-	2,694	2,694
TECB grants and reimbursements	<u>165,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenue	<u>169,681</u>	<u>-</u>	<u>2,694</u>	<u>2,694</u>
Net income	<u>\$ 269,348</u>	<u>\$ 114,942</u>	<u>\$ 113,955</u>	<u>\$ (987)</u>

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION

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**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
Benton County Emergency Communications District

We have audited the financial statements of the Benton County Emergency Communications District, a component unit of Benton County, Tennessee, as of and for the year ended June 30, 2012, and have issued our report thereon dated March 26, 2013. 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

Management of Benton County Emergency Communications District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 and response as items 12-1, 09-1 and 10-1, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton 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 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 response as items 12-1, 12-2 and 10-1.

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

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
March 26, 2013

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSE**

For the Year Ended June 30, 2012

12-1 Violation of 3-Day Deposit Rule

Condition: During our testing of cash receipts, we found one instance where a check received on 11/15/11 was not deposited until 11/21/11.

Criteria: TCA 6-56-111 states that every municipal official handling public funds shall be required to, as soon as practical, but no later than three (3) working days after the receipt by such municipal official of any public funds, deposit the funds to the credit of such municipality's official bank account, or bank accounts. TCA 7-86-102 states that all funds received by an emergency communications district are public funds.

Effect: Failure to comply with state laws governing timely deposits increases the risk of loss of public funds.

Recommendation: We recommend that the District deposit all receipts daily, or at a minimum, within the three days required by state statute.

Response: *Check was received from P.O. box late Friday afternoon and was put in a security box until the Treasurer returned from vacation on the 21st.*

12-2 Insufficient Surety Bond Coverage

Condition: The District did not obtain surety bonds on applicable personnel in amounts required by state statute.

Criteria: Tennessee Code Annotated (TCA) 7-86-119 states "Any . . . authorized person of an emergency communications district, who receives public funds, has authority to make expenditures from public funds, or has access to any public funds is hereby required to give bond made payable to the state of Tennessee. . . . The amount of such required bond shall be a reasonable amount as determined by the amount of public funds received, expended, or the amount of such bond shall be reasonable to protect the public from breach of the condition of faithful discharge of the duties of such office or position, when the amount of public funds to be received, or expended, or to which that person will have access is considered. Effective July 1, 1994, the minimum amount of such required bond shall be determined from the amount of revenues handled by the respective emergency communications district during the last audit approved by the comptroller of the treasury. The minimum amount of the bond shall be based on revenues as follows:

- Less than fifty thousand dollars (\$50,000) — a base bond of five thousand dollars (\$5,000);
- From fifty thousand dollars (\$50,000) to five hundred thousand dollars (\$500,000) — an amount equal to ten percent (10%) of the revenues handled by the district."

Effect: Failure to comply with state laws governing surety bonds increases the risk of loss of public funds.

Recommendation: We recommend that the District obtain surety bonds on all personnel outlined above in the amounts required by state statute.

**BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSE
For the Year Ended June 30, 2012**

Response: *The surety bond was raised from \$5,000 to \$25,000 because of insufficient coverage the prior audit for the Chairman and Vice Chairman each. The Secretary/Treasurer was raised to \$150,000. Thought this was sufficient. Have now raised both of the officers from \$25,000 to \$35,000.*

09-1 Segregation of Duties

Condition: The secretary/treasurer of the board is the interim director of the District and handles all bookkeeping functions.

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 it is apparent that staff size is not adequate to fully segregate the accounting functions of the District, management needs to be aware that this limitation in internal control over financial reporting exists.

Response: *We concur.*

10-1 Expenditures over Budget

Condition: There were several line items in expenditures that exceeded the amounts budgeted for the year ended June 30, 2012.

	Amended Budget	Actual	Over Budget
Addressing/mapping	\$ 20,000	\$ 20,216	\$ 216
Maintenance agreement.....	17,600	18,687	1,087
Repair and maintenance – communications equipment	3,000	3,340	340
Repair and maintenance – building and facilities	-	18,918	18,918
Small equipment purchases	3,000	3,703	703
Uniforms and shirts.....	-	152	152

Criteria: TCA Section 7-86-120 states “no district may expend any moneys regardless of their source . . . except in accordance with a budget adopted under this section.” The *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* states that expenses must be presented at the legal level of control, which is defined to be at the line-item level.

Effect: The District has made expenses not legally appropriated by the Board.

Recommendation: We recommend that the District carefully monitor its budget each month and make amendments as needed to authorize all expenditures. All final budget amendments for a current fiscal year must be approved prior to June 30.

BENTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RESPONSE
For the Year Ended June 30, 2012

Response: *We concur. Secretary/Treasurer was not physically available from April 2012 to monitor and make any changes to the financial budget status of the 911 Board until after July 2012, when he resumed his duties.*