

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**ANNUAL FINANCIAL REPORT**

**Year ended June 30, 2008**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Warren County Emergency Communication District  
McMinnville, Tennessee

We have audited the accompanying financial statements of Warren County Emergency Communication District, a component unit of Warren County, Tennessee, as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Warren County Emergency Communication District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Warren County Emergency Communication District as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof and the statement of budgetary comparison 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 15, 2009, on our consideration of the Warren County Emergency Communication District's internal control over financial reporting, and 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.

The management's discussion and analysis on pages iii through x is not a required part of the basic financial statements but is supplementary information required by accounting principles 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 them.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Warren County Emergency Communication District's basic financial statements. The accompanying schedule of state financial assistance and the statement of budgetary comparison are presented for purposes of additional analysis and are also not a required part of the basic financial statements of the Warren County Emergency Communication District. The schedule of state financial assistance and the statement of budgetary comparison have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Denning & Cantrell*

Certified Public Accountants

McMinnville, Tennessee  
January 15, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Warren County Emergency Communications District's financial report presents an analysis on the District's financial condition for the year ended June 30<sup>th</sup> 2008 and should be read in conjunction with the accompanying Financial Statements and Notes to the Financial Statements.

### FINANCIAL HIGHLIGHTS

Total assets at year-end were \$2,075,205 and exceeded liabilities (net assets) by \$1,126,144. Of the total net assets, \$362,774 was classified as unrestricted. Total assets and total net assets increased in 2008 by \$964,598 and \$43,746 respectively.

The District's total operating revenues were \$536,934, an increase of 0.2% from the previous year. The Emergency Telephone Service Charge revenue decreased by \$7,818 from \$351,422 in 2007 to \$343,064 in 2008 reflecting a general trend in the reduction of traditional land-line services. However, this reduction in land-line revenues was offset by increased wireless revenues in the form of the Tennessee Emergency Communications Board Shared Wireless distribution of \$89,162 and Tennessee Emergency Communications Board Operational Funding of \$104,081. Both the Shared Wireless distribution and the Operational Funding are a result of wireless (cell phone) surcharges collected on the state level and distributed to all Tennessee Emergency Communications Districts based on tier (population) ranking.

Operating expenses increased by 2.7% over 2007. This overall increase in expenses was due to continued improvements in employee benefits (a component of the District's five-year business plan submitted to the Tennessee Emergency Communications Board in 2003) and an increase in utility expenses and NCIC circuit charges. This was due, in part, to the addition of broadband data transmission circuits for mobile data systems and utility expenses related to the construction of an addition to the 911 dispatching facility adjacent to the existing 911 facility. The District's salaries and wages expense decreased by (\$13,042) due to reductions in overtime requirements and more efficient scheduling practices.

Interest income increased from \$8,990.00 to \$9,558.00, a difference of \$568.00. This slight increase was due an increase in interest rates available and the District's continued efforts to place cash reserves into institutions offering higher interest rates.

Throughout fiscal year ending June 30<sup>th</sup> 2008 the District sought to position itself to take advantage of grant and reimbursement programs administered by the Tennessee Emergency Communications Board. The District received a \$10,000 grant for the upkeep and maintenance of the GIS mapping system and \$7,480.00 toward the employment and retention of 911 Telecommunicators. This amount represents the balance of the Tennessee Communications Board's Rural Dispatcher Grant program prior to the close of this grant program. This grant program was discontinued after the Tennessee Emergency Communications Board's

Operational Funding distribution program commenced. In 2007 the District applied for funding from the Department of Homeland Security in the amount of \$41,000 for the installation of two

additional voting repeater systems to improve radio coverage in remote locations of Warren County. This grant was awarded to the District in 2008 and equipment was on order as of June 30th 2008.

## **GENERAL TRENDS AND SIGNIFICANT EVENTS**

The Warren County Emergency Communications District's Emergency Telephone (wireline) Service Charge revenue decreased by (\$7818) over last fiscal year. This represents an anticipated reduction of land-line telephone subscribers and the growth of wireless (cellular) services. Wireless service providers continue to experience explosive growth (see table below). This growth includes both contract wireless service providers and pre-paid wireless service providers. The Tennessee Emergency Communications Board and 911 Districts statewide have been involved in initiatives to establish realistic rate structures for technologies such as wireless and Voice Over Internet Protocol (VoIP) to insure the financial viability of 911 Districts. Tennessee was one of the first states nationwide to establish a 911 surcharge rate structure for VoIP services. (See Table No. 1)

In 2006, the Warren County Emergency Communications District applied for an extension of the present landline rate structure. Representatives of the District appeared before the Tennessee Emergency Communications Board in Nashville. The District received the extension of the present rate structure, which is to be reviewed in three years. The rate structure is as follows:

**Business/ Commercial landlines- \$3.00 per line**

**Residential - \$1.00 per line**

In FY 2007-2008 the District received \$104,081 in operational funding from the Tennessee Emergency Communications Board. This funding replaced the Tennessee Emergency Communications Board's Rural Dispatcher Grant program and is distributed via Automated Clearing House (ACH) deposits directly into the District's bank account.

## **CAPITAL ASSETS**

Capital assets include the District's major capital assets, the Warren County 911 Center located at 902 Bridge Builders Road in McMinnville and associated repeater sites throughout the county, the District's telephone, radio communications equipment, computer aided dispatching and mapping systems, and associated office furniture and fixtures.

As of June 30<sup>th</sup> 2008, the District had \$1,852,038 invested in capital assets, representing a net increase of \$990,175 from last year. In 2007, the Warren County Emergency Communications District began construction on a 3400 sq ft hardened dispatching facility located on the East side of the existing facility. The purpose of this addition was to provide the community with an emergency communications center able to withstand threats from natural and man-made origins. Over the last three years, Warren County has experienced three tornadoes, two of which caused fatalities. The most recent tornado touched down 0.5 miles north of the 911 Center and caused major damage to a residential neighborhood. The addition is partially underground and is constructed to withstand a direct hit of an EF4 tornado or the collapse of the 180ft radio transmission tower located behind the structure. This facility houses all of the District's radio, telephone, Computer Aided Dispatching and data transmission equipment as well as a five position dispatch communications room.

The successful bid was submitted by Sain Construction Company of Manchester, Tennessee in the amount of \$824,000.00. Additionally, the District re-routed the entrance to the facility. Financing for the construction was obtained via competitive bidding from local financial institutions. A twelve month construction loan was utilized to finance the construction project on 08/22/2007 at an interest rate of 5.90 %. Permanent financing is to be secured via competitive bidding. Security Federal Savings Bank of McMinnville, Tennessee provided construction loan submitting the most attractive rates as determined by the Warren County Emergency Communications District's Board of Directors.

Of the District's Capital Assets, 61% represents the District's 911 Communications Center, land and paving. Communications equipment represents 36% with the remaining 3.0% comprised of furniture, fixtures and the District's vehicle.

## **BUDGETARY ANALYSIS**

For the fiscal year 2007-2008, total expenses were 9.8% less than budget. Total income was 9.6% under budget due to a reduction in Emergency Telephone Service Charge revenues from local telephone exchanges.

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES**

June 30<sup>th</sup>, 2008 and June 30<sup>th</sup>, 2007

	<u>2008</u>	<u>2007</u>	Variance <u>Amount</u>
<b>Operating Revenues</b>			
Emergency telephone service charges	343,604	351,422	(7,818)
ECB Shared Wireless	89,162	183,810	(94,648)
Sales-mapping	87	509	(422)
ECB Operational Funding	<u>104,081</u>	<u>          </u>	<u>104,081</u>
<b><u>Total Operating Revenues</u></b>	<b><u>536,934</u></b>	<b><u>535,741</u></b>	<b><u>1,193</u></b>
<b>Operating Expenses</b>			
Salaries and Wages	441,669	454,711	(13,042)
Employee Benefits	78,584	73,158	5,426
Contracted Services	108,880	108,674	206
Supplies and Materials	48,124	36,606	11,518
Other Charges	37,183	28,887	8,296
Depreciation	72,658	63,689	8,969
Amortization	<u>1,170</u>	<u>2,353</u>	<u>(1,183)</u>
<b><u>Total Operating Expenses</u></b>	<b><u>788,268</u></b>	<b><u>768,078</u></b>	<b><u>20,190</u></b>
<b>Operating Income (loss)</b>	<b><u>(251,334)</u></b>	<b><u>(232,337)</u></b>	<b>(18,997)</b>
<b>Nonoperating Revenues</b>	<b>35,080</b>	<b>36,674</b>	<b>(1,594)</b>
Contributions to Capital		217,976	(217,976)
Contributions from Primary Government	<u>260,000</u>	<u>245,000</u>	<u>15,000</u>
<b>Total Nonoperating Revenues</b>	<b><u>295,080</u></b>	<b><u>499,650</u></b>	<b><u>(204,570)</u></b>
Increase in net assets	<u>43,746</u>	<u>267,313</u>	<u>(223,567)</u>

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**CONDENSED COMPARATIVE STATEMENTS OF NET ASSETS**  
June 30<sup>th</sup>, 2008 and June 30<sup>th</sup>, 2007

	<u>2008</u>	<u>2007</u>	<u>Variance</u> <u>Amount</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
<b>Cash</b>			
Unrestricted	530,320	500,235	30,085
Restricted			
Receivable	27,116	45,357	(18,241)
Due TECB	<u>15,403</u>	<u>          </u>	<u>15,403</u>
<b>Total Current Assets</b>	<u>572,839</u>	<u>545,592</u>	<u>27,247</u>
 <b>Property and Equipment</b>			
Land	14,085	14,085	0
Paving	9,883	9,883	0
Building	1,104,135	129,597	974,538
Communications Equipment	681,704	611,252	70,452
Office Furniture and Fixtures	19,516	24,420	(4,904)
Vehicles	22,715	22,715	0
Construction in progress	<u>          </u>	<u>49,911</u>	<u>(49,911)</u>
	1,852,038	861,863	990,175
	<u>361,419</u>	<u>309,765</u>	51,654
<b>Less</b>			
<b>Accumulated Depreciation</b>	<u>1,490,619</u>	<u>552,098</u>	938,521
<b>Other Asset</b>			
Mapping Costs (less accumulated amortization)	<u>11,747</u>	<u>12,917</u>	<u>(1,170)</u>
 <b>Total Assets</b>	 <u>2,075,205</u>	 <u>1,110,607</u>	 <u>964,538</u>
 <b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Note Payable	727,249		727,249
Accounts payable	171,771		171,771
Accrued Interest payable	2,586		2,586
Accrued payroll	9,591	7,243	2,348
Accrued payroll taxes	24,385	12,769	11,616
Accrued vacation payable	11,099	7,148	3,951
Accrued Retirement	<u>2,380</u>	<u>1,049</u>	<u>1,331</u>
<b>Total Current Liabilities</b>	949,061	28,209	920,852
 <b>Net Assets</b>			
Invested in capital assets	763,370	552,098	211,272
Unrestricted net assets	<u>362,774</u>	<u>530,300</u>	(167,526)
 <b>Total Net Assets</b>	 <u>1,126,144</u>	 <u>1,082,398</u>	 <u>43,746</u>

nine members appointed by the Warren County Commission. Per the District's Intergovernmental Agreement of 2003, the Board of Directors is comprised of the City Mayor and appointee from the City Board of Aldermen, the County Mayor and appointee from the Warren County Commission and five citizens of Warren County.

The Warren County Emergency Communications District's revenues are derived by Emergency Telephone Service charges collected monthly from telephone service subscribers in Warren County and from the Tennessee Emergency Communications Board's wireless collection and distribution program.

### **FINANCIAL CONDITION**

The District's financial condition remains positive as of June 30th 2008. As indicated in Table No. 1, the growth in wireless service subscribers (cell phone users) has been explosive. The FCC Local Competition Report (Table No. 1) indicates that since 1999, Tennessee has seen a large increase in wireless service subscribers (cell phone users) while the number of traditional wireline users has consistently decreased since 1999. It is with this in mind that the Warren County Emergency Communications District supports the implementation of a 911 rate structure that achieves equalization with respect to wireless and wireline pathways to 911 services. The 911 surcharge for wireless subscribers remains at \$1.00 of which the State's Emergency Communications Districts receive 25 cents. This comes to the Districts in the form of a shared wireless distribution.

### **CONTACTING THE WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

The financial report is designed to provide a general overview of the Warren County Emergency Communications District's finances for all those with an interest in such matters. Questions arising from any of the information provided or additional requests for information should be directed to:

Charles D Haston Jr.  
District Director  
Warren County Emergency Communications District  
902 Bridge Builders Road  
McMinnville, TN 37110  
(931) 668-7000

**\*\*Table  
No. 1**

<b>Tennessee</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Incumbent Local Exchange Carrier (ILEC) Lines	3,322,220	3,412,145	3,289,154	3,147,556	2,943,127	2,773,968	2,717,515	2,695,269	2,537,205
Competitive Local Exchange Carrier (CLEC) Lines	129,987	222,917	268,222	329,150	380,298	481,997	543,386	464,505	510,117
Mobile Wireless Telephone Subscribers	1,529,054	1,985,851	2,510,978	2,674,566	2,974,512	3,531,286	4,417,140	5,126,510	5,245,513
<b>Total</b>	<b>4,981,261</b>	<b>5,620,913</b>	<b>6,068,354</b>	<b>6,151,272</b>	<b>6,297,937</b>	<b>6,787,251</b>	<b>7,678,041</b>	<b>8,286,284</b>	<b>8,292,835</b>

**Data Extracted from FCC Local Competition  
Report Released 9/08 with data through 12/07**

(See

[http://hraunfoss.fcc.gov/edocs\\_public/attachmat  
ch/DOC-285509A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmat<br/>ch/DOC-285509A1.pdf))

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

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<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 530,320
Accounts receivable	27,116
Due from Tennessee Emergency Communications Board	<u>15,403</u>
TOTAL CURRENT ASSETS	572,839
<u>PROPERTY AND EQUIPMENT</u>	
Land	\$ 14,085
Paving	9,883
Building	1,104,135
Communications equipment	681,704
Office furniture and fixtures	19,516
Vehicles	<u>22,715</u>
	1,852,038
Less accumulated depreciation	<u>361,419</u>
	1,490,619
<u>OTHER ASSET</u>	
Mapping costs (less accumulated amortization of \$ 208,900)	<u>11,747</u>
TOTAL ASSETS	<u>2,075,205</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Note payable	727,249
Accounts payable	171,771
Accrued retirement	2,380
Accrued payroll	9,591
Accrued payroll taxes	24,385
Accrued interest payable	2,586
Accrued vacation payable	<u>11,099</u>
TOTAL CURRENT LIABILITIES	949,061
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	763,370
Unrestricted net assets	<u>362,774</u>
TOTAL NET ASSETS	\$ <u>1,126,144</u>

See Independent Auditors' Report and Notes to Financial Statements.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year ended June 30, 2008

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Operating revenues:		
Emergency telephone service charges		\$ 343,604
Tennessee Emergency Communications Board - Shared Wireless Charge		89,162
Tennessee Emergency Communications Board - Operational Funding		104,081
Sales of maps		<u>87</u>
		536,934
Operating expenses:		
Salaries and wages	\$ 441,669	
Employee benefits	78,584	
Contracted services	108,880	
Supplies and materials	48,124	
Other charges	37,183	
Depreciation	72,658	
Amortization	<u>1,170</u>	<u>788,268</u>
	Operating income (loss)	(251,334)
Nonoperating revenues (expenses):		
Interest income	9,558	
Rental income	9,750	
Loss on retirement of equipment	(1,708)	
Contributions from primary government	260,000	
TECB - grants and reimbursements	<u>17,480</u>	<u>295,080</u>
	Increase in net assets	43,746
Net assets at July 1, 2007		<u>1,082,398</u>
Net assets at June 30, 2008		<u>\$ 1,126,144</u>

Depreciation of property, plant and equipment was computed by the straight line method and amounted to \$72,658.

Interest incurred and capitalized during the year amounted to \$ 21,519.

See Independent Auditors' Report and Notes to Financial Statements.

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**STATEMENT OF CASH FLOWS**

Year ended June 30, 2008

<b>Cash flows from operating activities:</b>		
Cash received from Surchargers and Other Revenues	\$	539,772
Cash received from tower rental		9,750
Cash paid to suppliers of goods and services		(88,053)
Cash paid to employees for services		<u>(435,370)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>		<b>26,099</b>
 <b>Cash flows from non-capital financing activities -</b>		
Transfers from primary government	260,000	
Grants and reimbursements from TECB		<u>17,480</u>
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>		<b>277,480</b>
 <b>Cash flows from capital and related financing activities:</b>		
Purchase of building and equipment	\$	(991,368)
Note proceeds		728,490
Payments on notes payable		(1,241)
Interest paid on notes payable		<u>(18,933)</u>
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		<b>(283,052)</b>
 <b>Cash flows from investing activities -</b>		
Investment income		<u>9,558</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>30,085</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>500,235</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$</b>	<b><u>530,320</u></b>
 <b>Reconciliation of operating income to cash flows from operating activities</b>		
Operating loss	\$	(251,334)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	73,828	
Tower rental		9,750
<b>Decrease(Increase) in operating assets:</b>		
Accounts receivable		2,838
<b>Increase(Decrease) in operating liabilities:</b>		
Accounts payable	171,771	
Accrued payroll taxes		11,616
Accrued expenses		<u>7,630</u>
<b>TOTAL ADJUSTMENTS</b>		<u>277,433</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$</b>	<b><u>26,099</u></b>

See Independent Auditors' Report and Notes to Financial Statements.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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**Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Warren County Emergency Communications District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. After November 30, 1989, the District does not follow Financial Accounting Standards Board (FASB) pronouncements. The more significant of the District's accounting policies are described below. For the fiscal year ended June 30, 2004, the District implemented the new financial reporting requirements of GASB Statement No. 34. As a result, and entirely new financial presentation format has been implemented.

Reporting Entity

The Warren County Emergency Communications District was established in October, 1990, and began operations in February, 1995. The District is to provide a simplified means of securing emergency services by telephone within Warren County, Tennessee. Members of the District's Board of Directors are appointed by the Warren County Commission. In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The criteria for including organizations within the reporting entity, as set forth in GASB No. 14, "The Financial Reporting Entity", is financial accountability. Financial Accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The District must obtain County Commission approval before the issuance of debt, and the County Commission has the ability to adjust the District's service charges. Based upon the application of these criteria, it was determined that the Warren County Emergency Communications District is a component unit of Warren County, Tennessee.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The District uses the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when the liability is incurred.

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted cash) with an original maturity of three months or less from date of purchase to be cash equivalents.

Depreciation and Amortization

The District computes depreciation and amortization using the straight line method.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capitalized Interest

Interest is capitalized in connection with the construction of major facilities. The construction period interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. No interest was capitalized for the year.

Compensated Absences

The District provides vacation to full time employees after one year of service. Full time employees receive one week's vacation for during for the first two years of service, two weeks for three to five years of service, three weeks for six to ten years of service, and four weeks for over ten years of service. Any unused vacation benefit is payable upon termination of employment. Compensated absences are paid from the District's general revenues.

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non capital financing, or investing activities.

Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Advertising

It is the District's policy to expense advertising costs as incurred. The District expensed advertising cost in the amount of \$ 334 for the year.

**Note B - CREDIT RISKS - DEPOSITS**

Various state statutes restrict the types of deposits available to the District. Deposits are limited to bank demand deposits, certificates of deposits, governmental overnight repurchase accounts and the State Local Government Investment Pool (SLGIP).

**Note C - DEPOSITS**

It is the District's policy for deposits to be 105% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. At year end the District had bank balances totalling \$ 532,306 with carrying amount of \$ 530,120. The District also had \$200 in petty cash.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note D - PROPERTY AND EQUIPMENT

Additions to property and equipment are recorded at cost or, if contributed property, at their estimated fair values at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of property and equipment is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. The capitalization threshold is \$ 1,500.

Depreciation of all exhaustible fixed assets is recorded in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building and improvements	10-40 years
Communication equipment	5-10 years
Furniture and fixtures	5-10 years

<u>Fixed Assets</u>	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2008</u>
Assets not being depreciated:				
Land	\$ 14,085			\$ 14,085
Construction in progress	49,911	\$ 924,627	974,538	0
Assets being depreciated:				
Paving	9,883			9,883
Building	129,597	974,538		1,104,135
Communications equipment	611,252	88,260	17,808	681,704
Office furniture & fixtures	24,420		4,904	19,516
Vehicles	22,715			22,715
	<u>861,863</u>	<u>1,987,425</u>	<u>997,250</u>	<u>1,852,038</u>
<u>Accumulated Depreciation</u>				
Paving	9,884			9,884
Building	51,618	5,170		56,788
Communications equipment	229,700	61,904	16,100	275,504
Office furniture & fixtures	16,670	1,041	4,904	12,807
Vehicles	1,893	4,543		6,436
	<u>309,765</u>	<u>72,658</u>	<u>21,004</u>	<u>361,419</u>
	<u>\$ 552,098</u>	<u>\$ 1,914,767</u>	<u>\$ 976,246</u>	<u>\$ 1,490,619</u>

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note D - MAPPING COSTS

Mapping costs are recorded at cost. The monthly mapping maintenance fees are being expensed monthly since the service is in operation. The original cost of mapping the county was capitalized and is being amortized over a period of ten years by the straight line method. Amortization for the year amounted to \$ 1,170.

Note E - NOTE PAYABLE

The District had a construction note payable at the end of the year with Security Federal Savings Bank. This note matures August 22, 2008 and bears interest at 5.90%. Interest payments were being paid monthly. This note is secured by a deed of trust. This note was used to finance the construction of a new building to house the District's operations. This note was converted to a long term note after the year ended. The balance on this note at June 30, 2008 was \$ 727,249.

Balance at July 1, 2007	\$	0
Proceeds		728,490
Payments		<u>(1,241)</u>
Balance at June 30, 2008	\$	<u>727,249</u>

Note F - LEASE

DTC Wireless leases tower space for \$750 per month, this lease is for five years and began March 1, 2003. Tower rental income for the year was \$9,750.

Note G - RISK FINANCING ACTIVITIES

It is the policy of the Warren County Emergency Communication District to purchase commercial insurance for the risks of losses to which it exposed. These risks include general liability, property and casualty, emergency service management liability, worker's compensation, and public officials misconduct. Settled claims have not exceeded this commercial coverage since operations of the District began.

Note H - EMPLOYEE PENSION

Plan Description

Employees of Warren County E-911 are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are

See Independent Auditors' Report.

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2008

**Note H - EMPLOYEE PENSION - continued**

**Plan Description - continued**

established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Warren County E-911 participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://treasury.state.tn.us/tcrs/PS/>.

**Funding Policy**

Warren County E-911 requires employees contribute 5.0 percent of earnable compensation.

Warren County E-911 is required to contribute at an actuarially determined rate: the rate for the fiscal year ending June 30, 2008 was 3.58% of annual covered payroll. The contribution requirements of plan members are set by state statute. The contribution requirement for Warren County E-911 is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ending June 30, 2008, Warren County E-911's annual pension cost of \$7,534 to TCRS was equal to Warren County E-911's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Warren County E-911's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 10 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

**Trend Information**

<b><u>Fiscal Year</u></b> <b><u>Ending</u></b>	<b><u>Annual Pension</u></b> <b><u>Cost (APC)</u></b>	<b><u>Percentage of</u></b> <b><u>APC Contributed</u></b>	<b><u>Net Pension</u></b> <b><u>Obligation</u></b>
June 30, 2008	\$ 7,534	100.00%	\$ 0
June 30, 2007	\$ 6,881	100.00%	\$ 0
June 30, 2006	\$ 10,530	100.00%	\$ 0

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note H - EMPLOYEE PENSION - continued

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 126.44% percent funded. The actuarial accrued liability for benefits was \$ .20 million, and the actuarial value of assets was \$ .25 million, resulting in an unfunded actuarial accrued liability (UAAL) of (\$.05) million. The covered payroll (annual payroll of active employees covered by the plan) was \$ .17 million, and the ratio of the UAAL to the covered payroll was -30.50% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
7/1/07	\$ 248	\$ 196	\$ (52)	126.44%	\$ 170	-30.50%

Note I - EXPENDITURES IN EXCESS OF APPROPRIATIONS

The District's contracted services exceeded appropriations by \$ 6,549, supplies and materials exceed appropriations by \$1,631, and depreciation exceeded budget by \$38,578.

**REQUIRED SUPPLEMENTARY INFORMATION**

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR WARREN COUNTY E-911, 88950

June 30, 2008

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a)/c)</u>
7/1/07	\$ 248	\$ 196	\$ (52)	126.44%	\$ 170	-30.50%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

**OTHER SUPPLEMENTARY INFORMATION**

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**STATEMENT OF BUDGETARY COMPARISON**

Year ended June 30, 2008

	<u>Budget</u>	
	Original & Final	Actual
<b><u>Operating revenues</u></b>		
Emergency telephone service charges:		
Ben Lomand	\$ 320,000	\$ 296,852
Citizens Telecom	59,700	46,439
DeKalb Cooperative	120	
Other user fees	244	313
TECB - shared wireless charge	55,000	89,162
TECB - operational funding	155,811	104,081
Sales - maps and addresses	1,750	87
Total operating revenues	<u>592,625</u>	<u>536,934</u>
<b><u>Operating expenses</u></b>		
Salaries and wages:		
Director	48,692	48,692
Administrative personnel	36,969	36,969
Dispatchers	306,794	304,466
Overtime pay	51,542	51,542
Part time personnel	11,700	
Total salaries and wages	<u>455,697</u>	<u>441,669</u>
Employee benefits:		
Social security	30,475	30,573
Medicare	7,000	6,313
Unemployment compensation		1,501
Medical insurance	35,100	32,050
Retirement contributions	13,000	8,147
Total employee benefits	<u>85,575</u>	<u>78,584</u>
Contracted services:		
Addressing and mapping expenses	38,000	35,443
Advertising	334	334
Audit services	1,600	1,600
Accounting fees	100	
Fiscal agent charges	10,000	8,212
Janitorial services	2,345	2,345
Legal services	6,350	6,000
Radio maintenance	2,200	4,330
Office equipment maintenance	500	35
Ben Lomand maintenance	6,500	5,913
Citizens maintenance	2,106	3,434
Computer mapping maintenance		1,250
DeKalb Cooperative maintenance	1,700	1,432
NCIC/TBI/TIES expenses	9,120	9,120
Pest control	200	151
Ben Lomand equipment lease	12,000	6,381
Other equipment lease		999

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2008

	<u>Budget</u> Original & Final	Actual
Operating expenses - cont.		
Contracted services:		
Maintenance and repairs:		
communication equipment	4,330	18,581
building	1,846	1,846
office equipment	600	20
vehicle		105
Generator maintenance	700	
Yard maintenance	1,800	1,349
	<u>102,331</u>	<u>108,880</u>
<b>Total contracted services</b>		
Supplies and materials:		
Office supplies	6,000	3,771
Custodial supplies	1,427	1,526
Postage	375	246
Small equipment purchases	1,000	637
Utilities - electric	13,079	14,889
Utilities - gas	500	425
Utilities - water and sewer	516	627
Utilities - telephone	22,780	25,131
Utilities - cell phone and pagers	816	872
	<u>46,493</u>	<u>48,124</u>
<b>Total supplies and materials</b>		
Other charges:		
Bank charges		326
Dues and memberships	1,000	445
Employee testing and exams	1,700	653
Insurance - workers compensation	2,652	2,652
Insurance - building and contents	9,588	9,588
Premiums on surety bonds	1,200	1,152
Public education	400	150
Service awards	4,750	4,750
EMD training		1,396
Other training	12,700	2,631
Travel	5,000	6,157
Board travel expense	3,685	159
Payroll tax penalties		3,483
Miscellaneous	3,574	3,641
	<u>46,249</u>	<u>37,183</u>
<b>Total other charges</b>		
Depreciation	34,080	72,658
Amortization	104,000	1,170
	<u>874,425</u>	<u>788,268</u>
<b>Total operating expenses</b>		
	<u>874,425</u>	<u>788,268</u>
<b>Operating income (loss)</b>	<u>(281,800)</u>	<u>(251,334)</u>

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2008

	<u>Budget</u>	
	<u>Original &amp; Final</u>	<u>Actual</u>
<b>Nonoperating revenues (expenses):</b>		
Interest income	1,800	9,558
Rental income	20,000	9,750
Loss on retirement of equipment		(1,708)
<b>Contributions from primary government:</b>		
County appropriations	130,000	130,000
City appropriations	130,000	130,000
TECB grants and reimbursements		17,480
	<u>281,800</u>	<u>295,080</u>
<b>Total nonoperating revenues (expenses)</b>	<u>281,800</u>	<u>295,080</u>
<b>Net increase in net assets</b>	<u>\$ 0</u>	<u>\$ 43,746</u>

See Independent Auditors' Report.

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF INFORMATION REQUIRED BY THE TENNESSEE**  
**EMERGENCY COMMUNICATIONS BOARD**

June 30, 2008

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<b>Number of public safety answering points</b>	<b>1</b>
<b>Address of public safety answering point</b>	<b>902 Bridge Builders Rd. McMinnville, TN 37110</b>
<b>Type of system/equipment and database</b>	<b>TCI ANI/ALI Interface system Stand-alone database</b>
<b>Director of District</b>	<b>Charles Haston, Jr. 418 West Main St. McMinnville, TN 37110 (931) 235-3114 fax (931) 668-7007</b>
<b>Chairman of District</b>	<b>Mark Gribble 327 West Colville St. McMinnville, TN 37110 (931) 473-8269 fax (931) 668-7007</b>

See Independent Auditors' Report.

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**OTHER INFORMATION**

June 30, 2008

Members of the Board of Directors at June 30, 2008 are:

<u>Name</u>	<u>Term Expires</u>	<u>Office</u>
Mark Gribble	October 22, 2008	Chairman
Frank Rice	October 22, 2009	Vice-Chairman
Judy Kelsey	October 22, 2009	Secretary & Treasurer
John Pelham	October 22, 2008	
Royce Davenport	October 22, 2008	
Patty Nunley	October 22, 2008	
Jerry Womack	October 22, 2008	
Gary George	October 22, 2008	
Teddy Boyd	October 22, 2009	

The District had the following insurance in force at June 30, 2008:

<u>Type of Coverage</u>	<u>Expiration Date</u>	<u>Limit of Liability</u>
Commercial property:	August 27, 2008	
Real property		\$ 177,660
Personal property		416,200
Repeaters		52,633
Business income		12 months actual loss
Money & securities		10,000
Software		250,000
General liability	August 27, 2008	
General aggregate		3,000,000
Personal injury and advertising injury		1,000,000
Medical expense		5,000
Commercial umbrella liability	August 27, 2008	1,000,000 per occurrence 2,000,000 aggregate
Management liability	August 27, 2008	1,000,000 per occurrence 3,000,000 aggregate 5,000 injunctive relief
Automotive liability	August 27, 2008	
Liability		1,000,000 per occurrence
Physical damage		agreed value, actual cash value or cost of repairs
Medical payments		10,000
Uninsured motorist		1,000,000
Workman's compensation	September 24, 2008	Statutory limits

See Independent Auditors' Report.

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

Year ended June 30, 2008

	CFDA #	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
<b><u>State Financial Assistance</u></b>						
Tennessee Emergency Communications Board	N/A	Z03016957		\$ 10,000	\$ 10,000	
Tennessee Emergency Communications Board	N/A	Z04020037		7,480	7,480	
<b>Total State Awards</b>			<b>\$ -</b>	<b>\$ 17,480</b>	<b>\$ 17,480</b>	<b>\$ -</b>

None of the above are major federal programs

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  
Warren County Emergency Communication District  
McMinnville, Tennessee

We have audited the financial statements of the Warren County Emergency Communication District, a component unit of Warren County, Tennessee, as of and for the year ended June 30, 2008 and have issued our report thereon dated January 15, 2009. 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 Warren County Emergency Communication District's internal control over financial reporting in order to determine 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 the Warren County Emergency Communication District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Warren County Emergency Communication District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Warren County Emergency Communication District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Warren County Emergency Communication District's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 07-1, and 08-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Warren County Emergency Communication District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be 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.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Warren County Emergency Communication 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 several instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. These are items 07-2 through 07-4, 08-2 and 08-3 in schedule of findings and responses.

Warren County Emergency Communication District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Warren County Emergency Communication 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, others within the entity, and the State Comptroller's office and is not intended to be and should not be used by anyone other than these specified parties.

*Denning e Cantrell*

Certified Public Accountants

McMinnville, Tennessee  
January 15, 2009

**WARREN COUNTY EMERGENCY COMMUNICATION DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES**

Year Ending June 30, 2008

07-1 Finding - The District does not have the proper segregation of duties.

Recommendation - It would not be financially feasible for the District to hire sufficient employees for the proper segregation of duties. Where possible duties should be segregated such as cash receipt and disbursement, preparation of disbursements and the recording of disbursements, reconciliation of bank accounts, etc.

Management's Response - "We concur with the auditors' recommendation."

07-2 Finding - Receipts are not being deposited within three days as required by state law.

Recommendation - All receipts should be timely deposited.

Management's Response - "We will comply in the future."

07-3 Finding - I-9's are not being properly completed.

Recommendation - I-9's should be filled out completely.

Management Response - "We concur. We will complete the proper boxes on the form in the future."

07-4 Finding - Payroll taxes were not deposited timely which caused the District to incur penalty and interest charges..

Recommendation - Payroll tax deposits should be made timely to prevent incurring penalty and interest charges.

Management's Response - "This was an oversight. We will comply in the future."

08-1 Finding - Petty cash reimbursements reports did not have receipts attached to support the expenditures.

Recommendation - Receipts should be attached to petty cash reimbursements to support claimed expenditures.

Management's Response - "We will comply in the future."

08-2 Finding - Employee bonuses were not included on the W-2's nor was payroll taxes withheld and paid on these amounts.

Recommendation - Care should be exercised to ensure all employee compensation is reported on their W-2, and that payroll taxes are withheld and paid on these amounts.

Management's Response - "This was an oversight. The bonuses were designated as service award rather than compensation."

08-3 Finding - Expenditures for several line items exceeded budgeted amounts in violation of State law.

Recommendation - Budgets should be closely monitored and amended as necessary.

Management's Response - "We were not aware that the level of control was at the line item level. We will change our monitoring process."

Finding 07-1 through 07-4 were mentioned in last year's report.