

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

ANNUAL FINANCIAL REPORT

Year ended June 30, 2009

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WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

LIST OF OFFICIALS

June 30, 2009

Members of the Board of Directors at June 30, 2009 are:

<u>Name</u>	<u>Term Expires</u>	<u>Office</u>
Mark Gribble	October 22, 2009	Chairman
Frank Rice	October 22, 2009	Vice-Chairman
Judy Kelsey	October 22, 2009	Secretary & Treasurer
John Pelham	October 22, 2010	
Norman Rone	October 22, 2010	
Billy Wood	October 22, 2010	
Jerry Womack	October 22, 2009	
Gary George	October 22, 2009	
Teddy Boyd	October 22, 2009	

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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 the business-type activities of the Warren County Emergency Communication District, a component unit of Warren County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise the Warren County Emergency Communication District's basic financial statements as listed in the table of contents. 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 respective financial position of the business-type activities of the Warren County Emergency Communication District as of June 30, 2009, and the respective changes in financial position and cash flows 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 November 24, 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 iv through x is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on 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 other supplementary information and the schedule of state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Warren County Emergency Communication District. The other supplementary information and the schedule of state financial assistance 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.

Denning & Cantrell
Certified Public Accountants

McMinnville, Tennessee
November 24, 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 30th 2009 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 \$1,866,675 and exceeded liabilities (net assets) by \$1,009,479. Of the total net assets, \$329,344 was classified as unrestricted. Total assets and total net assets decreased in 2009 by \$208,530 and \$116,665 respectively.

The District's total operating revenues were \$493,489, a decrease of 8.1% from the previous year. The District's Emergency Telephone Service Charge revenue decreased from \$343,604 in 2008 to \$306,084 in 2009, a difference of \$37,520. This decrease reflects a trend in the reduction of traditional land-line services and represents a significant financial challenge for Emergency Communications District's statewide. The Tennessee Emergency Communications Board Shared Wireless distribution for the year ending June 30th, 2009 was \$63,166 and the Tennessee Emergency Communications Board's Operational Funding distribution was \$124,239. 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 12.7% over 2008. This increase in expenses was due to shift staffing requirements on first and second shift (one additional Telecommunicator on both shifts) additional depreciation expenses associated with the construction of the addition to the existing communications center, and health insurance expenses.

Interest income decreased from \$9,558.00 in 2008 to \$6,018.00 in 2009, a difference of \$3,540.00. This decrease was due prevailing interest rates available. Rental income from tower lease agreements with Verizon Wireless and DTC Wireless increased from \$9,750.00 in 2008 to \$21,365 in 2009.

Throughout fiscal year ending June 30th 2009 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. The Rural Dispatcher Grant Program was discontinued and replaced by the Tennessee Emergency Communications Board's Operational Funding distribution during the fiscal year ending June 30th, 2009.

The Tennessee Emergency Communication Board as of this report has authorized the release of an additional 8 million to the Districts Statewide. This action by the state Board is to redirect wireless revenue paid to wireless service providers for implementation of Phase II 911 services to the individual Districts through the TECB's Operational Funding Program. The net increase in funding for Warren County is projected to be \$62,000.

LONG TERM DEBT

The District secured financing through First National Bank in McMinnville, Tennessee for the construction of the addition to the existing 911 Communications Center on August 22nd, 2008. This note has a maturity date of August 22nd, 2018 with an interest rate of 4.5%. The note is secured on revenues of the District. The balance of this note as of June 30th, 2009 was \$787,903.

GENERAL TRENDS AND SIGNIFICANT EVENTS

The Warren County Emergency Communications District's Emergency Telephone (wireline) Service Charge revenue decreased by (\$37,520) over last fiscal year. This represents a reduction of land-line telephone subscribers and the growth of wireless (cellular) services. Wireless service providers continue to experience explosive growth. 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. Under the present wireless (cellular) revenue distribution structure, the impact of a consumer's switch from traditional wireline telephone service to wireless (cellular) is substantial (the revenue for the District decreases from \$1.00 to .25 cents on the dollar per line).

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 fiscal year 2008-2009 the District received \$124,239 in operational funding from the Tennessee Emergency Communications Board. This distributed to the District via Automated Clearing House (ACH) and 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 30th 2009, the District had \$1,930,449 invested in capital assets, representing a net increase of \$78,411 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.

Of the District's Capital Assets, 58% represents the District's 911 Communications Center, land and paving. Communications equipment represents 38.5% with the remaining 3.5% comprised of furniture, fixtures and the District's vehicle.

BUDGETARY ANALYSIS

For the fiscal year 2007-2008, total expenses were 2.9% greater than budget. Total income was 13.6% more than budgeted.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES

June 30th, 2008 and June 30th, 2009

	<u>2008</u>	<u>2009</u>	<u>Variance</u> <u>Amount</u>
Operating Revenues			
Emergency telephone service charges	343,604	306,084	(37,520)
ECB Shared Wireless	89,162	63,166	(25,996)
Sales-mapping	87	509	422
ECB Operational Funding	<u>104,081</u>	<u>124,239</u>	<u>20,158</u>
<u>Total Operating Revenues</u>	<u>536,934</u>	<u>493,489</u>	<u>(43,445)</u>
Operating Expenses			
Salaries and Wages	441,669	493,996	52,237
Employee Benefits	78,584	101,208	22,624
Contracted Services	108,880	104,763	(4,117)
Supplies and Materials	48,124	48,610	486
Other Charges	37,183	37,232	49
Depreciation	72,658	100,992	28,334
Amortization	<u>1,170</u>	<u>1,542</u>	<u>372</u>
<u>Total Operating Expenses</u>	<u>788,268</u>	<u>888,348</u>	<u>100,080</u>
Operating Income (loss)	<u>(251,334)</u>	<u>(394,859)</u>	<u>(143,525)</u>
Nonoperating Revenues	35,080	42,045	6965
Contributions to Capital			
Contributions from Primary Government	<u>260,000</u>	<u>260,000</u>	<u>0</u>
Total Nonoperating Revenues	<u>295,080</u>	<u>278,194</u>	<u>(16,886)</u>
Nonoperating Expense			
Interest Expense		23,851	
Increase in net assets	<u>43,746</u>	<u>(116,665)</u>	<u>(72,919)</u>

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
CONDENSED COMPARATIVE STATEMENTS OF NET ASSETS
June 30th, 2008 and June 30th, 2009

	<u>2008</u>	<u>2009</u>	<u>Variance</u> <u>Amount</u>
<u>ASSETS</u>			
Current Assets:			
Cash			
Unrestricted	530,320	346,944	(183,376)
Restricted			
Receivable	27,116	3,933	(23,183)
Due TECB	<u>15,403</u>	<u>37,505</u>	22,102
Total Current Assets	<u>572,839</u>	<u>388,432</u>	(184,407)
Property and Equipment:			
Land	14,085	14,085	0
Paving	9,883	9,883	0
Building	1,104,135	1,120,389	16,254
Communications Equipment	681,704	743,861	62,157
Office Furniture and Fixtures	19,516	19,516	0
Vehicles	22,715	22,715	0
	1,852,038	1,930,449	78,411
	<u>361,419</u>	<u>462,411</u>	51,654
Less Accum Deprec			
	<u>1,490,619</u>	<u>1,468,038</u>	(22,581)
<u>Other Asset</u>			
Mapping Costs (less accumulated amortization)	<u>11,747</u>	<u>10,205</u>	(1,542)
Total Assets	<u>2,075,205</u>	<u>1,866,675</u>	(208,530)
<u>LIABILITIES</u>			
Current Liabilities:			
Note Payable	727,249		(727,249)
			171,771
Accounts payable	171,771	38,900	(132,871)
Accrued interest payable	2,586	777	(1809)
Accrued payroll	9,591	11,099	1,508
Accrued payroll taxes	24,385		(24,385)
Accrued vacation payable	11,099	18,517	7,418
Current portion of long term debt		71,113	71,113
Accrued retirement	<u>2,380</u>		(2,380)
Total Current Liabilities	949,061	140,406	(808,655)
<u>Long Term Debt</u>			
Note Payable (less amount due in 1 yr)		716,790	716,790
Net Assets			
Invested in capital assets	763,370	680,135	(83,235)

Unrestricted net assets	<u>362,774</u>	<u>329,344</u>	(33,430)
<u>Total Net Assets</u>	<u>1,126,144</u>	<u>1,009,479</u>	(116,665)

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

The financial statements of the Warren County Emergency Communications District are prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units using the accrual method of accounting. The District implemented Governmental Accounting Standards Board (GASB) Statement Number 34 for the fiscal year end 2004. The implementation of this statement resulted in reporting presentation changes only. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting responsibilities.

The financial statements include a statement of net assets, statement of revenues, expenses, and changes in net assets, a statement of cash flows, and notes to the financial statements. While the statement of net assets provides information about the nature and amount resources and obligations at year end, the statement of revenues, expenses and changes in net assets present the result of the business activities over the course of the fiscal year and information as to how net assets changes during the year.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing, and investment activities. This statement presents cash receipts and cash disbursement information without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information essential to a full understanding of material data provided in the statements. The notes present information about the Warren County Emergency Communications District's policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

SUMMARY OF ORGANIZATION AND BUSINESS

The Warren County Emergency Communications District was established in October of 1990 as a result of a referendum vote conducted within Warren County. The Emergency Communications District Law of 1984 provided Tennessee Counties the legal authority to form Emergency Communications Districts in order to provide simplified emergency Public Safety Answering Points (PSAP's) for citizens in need of emergency services. The Warren County 911 Communications Center began conducting emergency telephone services on February 13th, 1995. The Warren County Emergency Communications District manages the county's emergency telephone and radio communications infrastructure. The District employs a District Director, Operations Coordinator, and sixteen Telecommunicators.

The Warren County Emergency Communications District's Board of Directors is made up of 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 Warren County Emergency Communications District remains on solid financial footing. However, the future of landline telephone revenue presents a considerable challenge for all of Tennessee's Emergency Communications Districts. Warren County has applied for a residential landline surcharge increase. This would restructure the residential landline charge from \$1.00 per line to \$1.50 per line adding approximately \$65,000 in annual revenue. Additionally, the Tennessee Emergency Communications Board has released an additional share of the state collected wireless (cellular) to the Districts. This will increase the TECB shared wireless revenue distributed to the District by \$62,000 annually. While this boost in annual revenue is a positive, it does not address long-term revenue challenges faces by all 911 Districts in Tennessee.

As stated in previously in this report, when consumers drop traditional landline telephone service for wireless (cellular) service, Tennessee's Emergency Communications Districts share of the surcharge is reduced from \$1.00 per line to .25 cents per line. The District's position is that a major overhaul of the 911 surcharge structure is overdue. In recent legislative action, (see House Bill 204, Senate Bill 208-Matheny, Stewart) these matters are considered. This legislation is currently under review by TACIR with results expected sometime in fiscal year 2009-2010.

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

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET ASSETS

June 30, 2009

<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$	46,994
Certificate of deposit		300,000
Interest receivable		3,933
Due from Tennessee Emergency Communications Board		<u>37,505</u>
TOTAL CURRENT ASSETS		388,432
 <u>PROPERTY AND EQUIPMENT</u>		
Land	\$	14,085
Paving		9,883
Building		1,120,389
Communications equipment		743,861
Office furniture and fixtures		19,516
Vehicles		<u>22,715</u>
		1,930,449
Less accumulated depreciation		<u>462,411</u>
		1,468,038
 <u>OTHER ASSET</u>		
Mapping costs (less accumulated amortization of \$ 210,442)		<u>10,205</u>
TOTAL ASSETS		<u>1,866,675</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable		38,900
Accrued payroll		11,099
Accrued interest payable		777
Accrued vacation payable		18,517
Current portion of long term debt		<u>71,113</u>
TOTAL CURRENT LIABILITIES		140,406
 <u>LONG TERM DEBT</u>		
Note payable		787,903
Less amount due in one year		<u>71,113</u>
		716,790
TOTAL LIABILITIES		857,196
 <u>NET ASSETS</u>		
Invested in capital assets, net of related debt		680,135
Unrestricted net assets		<u>329,344</u>
TOTAL NET ASSETS	\$	<u>1,009,479</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, 2009

Operating revenues:		
Emergency telephone service charges		\$ 306,084
Tennessee Emergency Communications Board - Shared Wireless Charge		63,166
Tennessee Emergency Communications Board - Operational Funding		<u>124,239</u>
		493,489
Operating expenses:		
Salaries and wages	\$ 493,996	
Employee benefits	101,208	
Contracted services	104,763	
Supplies and materials	48,610	
Other charges	37,237	
Depreciation	100,992	
Amortization	<u>1,542</u>	<u>888,348</u>
	Operating income (loss)	(394,859)
Nonoperating revenues (expenses):		
Interest income	6,018	
Rental income	21,365	
Miscellaneous	87	
Contributions from primary government	130,000	
Contributions from City of McMinnville	130,000	
TECB - grants and reimbursements	14,575	
Interest expense	<u>(23,851)</u>	<u>278,194</u>
	Increase in net assets	(116,665)
Net assets at July 1, 2008		<u>1,126,144</u>
Net assets at June 30, 2009		<u>\$ 1,009,479</u>

Depreciation of property, plant and equipment was computed by the straight line method and amounted to \$100,992.

Interest incurred during the year amounted to \$ 39,510. Of this amount \$15,658 was capitalized.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

Year ended June 30, 2009

Cash flows from operating activities:	
Cash received from Surchargers and Other Revenues	\$ 498,590
Cash received from tower rental	21,365
Cash paid to suppliers of goods and services	(451,542)
Cash paid to employees for services	<u>(485,069)</u>
NET CASH USED BY OPERATING ACTIVITIES	(416,656)
Cash flows from non-capital financing activities -	
Transfers from primary government	130,000
Transfers from the City of McMinnville	130,000
Grants and reimbursements from TECB	14,575
Miscellaneous income - sale of maps	<u>87</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	274,662
Cash flows from capital and related financing activities:	
Purchase of building and equipment	\$ (78,411)
Note proceeds	117,444
Payments on notes payable	(56,790)
Interest paid on notes payable	<u>(25,660)</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(43,417)
Cash flows from investing activities -	
Purchase of certificates of deposit	(300,000)
Investment income	<u>2,085</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(297,915)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(483,326)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>530,320</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 46,994</u>
Reconciliation of operating income to cash flows from operating activities	
Operating loss	\$ (394,859)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	102,534
Tower rental	21,365
Decrease(Increase) in operating assets:	
Accounts receivable	5,014
Increase(Decrease) in operating liabilities:	
Accounts payable	(132,871)
Accrued payroll taxes	(24,385)
Accrued expenses	<u>6,546</u>
TOTAL ADJUSTMENTS	<u>(21,797)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (416,656)</u>

See Independent Auditors' Report and Notes to Financial Statements.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (ARB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. As an enterprise fund, the District has the option of electing to apply FASB pronouncements issued after November 30, 1989. The District has elected not to apply those pronouncements.

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, 2009

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.

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.

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 \$ 356,360 with carrying amount of \$ 346,794. Of this amount, \$300,000 was invested in a certificate of deposit which bears interest at 2.9% annually. The District also had \$200 in petty cash.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2009</u>
Assets not being depreciated:				
Land	\$ 14,085			\$ 14,085
Assets being depreciated:				
Paving	9,883			9,883
Building	1,104,135	16,254		1,120,389
Communications equipment	681,704	62,157		743,861
Office furniture & fixtures	19,516			19,516
Vehicles	22,715			22,715
	<u>1,852,038</u>	<u>78,411</u>	<u>0</u>	<u>1,930,449</u>
<u>Accumulated Depreciation</u>				
Paving	9,884			9,884
Building	56,788	25,812		82,600
Communications equipment	275,504	69,596		345,100
Office furniture & fixtures	12,807	1,041		13,848
Vehicles	6,436	4,543		10,979
	<u>361,419</u>	<u>100,992</u>	<u>0</u>	<u>462,411</u>
	<u>\$ 1,490,619</u>	<u>\$ (22,581)</u>	<u>\$ -</u>	<u>\$ 1,468,038</u>

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note E - 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 \$ 1,542.

Note F - NOTE PAYABLE

The District has a note payable at the end of the year with First National Bank. This note matures August 22, 2018 and bears interest at 4.5%. Principal and interest are paid in monthly payments of \$8,755. This note is secured by a UCC on the revenues of the District. This note was used to finance the construction of a new building to house the District's operations. The balance on this note at June 30, 2009 was \$787,903.

Balance at July 1, 2008	\$	727,249
Proceeds		117,444
Payments		<u>(56,790)</u>
Balance at June 30, 2009	\$	<u><u>787,903</u></u>

The note payable matures as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 71,113	\$ 33,950	\$ 105,063
2011	74,325	30,738	105,063
2012	77,665	27,398	105,063
2013	81,307	23,756	105,063
2014	85,042	20,021	105,063
2015-2019	<u>398,451</u>	<u>39,314</u>	<u>437,765</u>
Total	<u>\$ 787,903</u>	<u>\$ 175,177</u>	<u>\$ 963,080</u>

Note G - 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, 2009

Note G - 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, 2009 was 1.68% 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, 2009, Warren County E-911's annual pension cost of \$5,412 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, 2007 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, 2007 was 8 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 5,412	100.00%	\$ 0
June 30, 2008	\$ 7,534	100.00%	\$ 0
June 30, 2007	\$ 6,881	100.00%	\$ 0

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note G - EMPLOYEE PENSION - continued

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 126.53% percent funded. The actuarial accrued liability for benefits was \$.19 million, and the actuarial value of assets was \$.24 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 \$ 0 million, and the ratio of the UAAL to the covered payroll was -30.59% 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)	126.53%	\$ 170	-30.59%

Note H - LEASE

DTC Wireless leases tower space for \$750 per month, this lease is for five years and began March 1, 2003. Verizon Wireless also rents tower space. Tower rental income for the year was \$ 21,365.

Note I - 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 J - EXPENDITURES IN EXCESS OF APPROPRIATIONS

The District's salaries and wages exceeded appropriations by \$ 5,442, contracted services exceed appropriations by \$6,656, and depreciation exceeded budget by \$42,514.

Note K - The amount of advertising expensed for the year was \$22.

REQUIRED SUPPLEMENTARY INFORMATION

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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

June 30, 2009

(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)	126.53%	\$ 170	-30.59%

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.

See Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF BUDGETARY COMPARISON

Year ended June 30, 2009

	Budget		Actual
	Original	Final	
<u>Operating revenues</u>			
Emergency telephone service charges:			
Ben Lomand	\$ 320,000	\$ 320,000	\$ 265,496
Citizens Telecom	54,000	54,000	39,801
Other user fees	270	270	787
TECB - shared wireless charge	60,000	60,000	63,166
TECB - operational funding			124,239
Total operating revenues	434,270	434,270	493,489
<u>Operating expenses</u>			
Salaries and wages:			
Director	49,000	50,476	50,476
Administrative personnel	37,000	44,924	44,909
Dispatchers	352,000	344,650	350,107
Overtime pay	30,000	48,504	48,504
Total salaries and wages	468,000	488,554	493,996
Employee benefits:			
Social security	32,500	43,363	34,303
Medicare	7,000	7,034	7,034
Unemployment compensation	1,500	2,206	2,206
Medical insurance	32,000	44,388	50,810
Retirement contributions	13,000	20,351	6,855
Total employee benefits	86,000	117,342	101,208
Contracted services:			
Addressing and mapping expenses	34,800	39,433	39,666
Advertising	200	200	22
Audit services	1,600	1,750	1,750
Accounting fees	8,400		
Fiscal agent charges	7,000	9,164	8,425
Janitorial services	2,100	3,690	3,690
Legal services	6,350	7,600	6,600
Radio maintenance	2,220	2,630	2,555
Office equipment maintenance	240	240	70
Ben Lomand maintenance	5,000	5,400	4,943
Citizens maintenance	2,100	2,282	2,876
Computer mapping maintenance			483
Dekalb Cooperative maintenance	800	1,574	1,454
NCIC/TBI/TIES expenses	8,000	8,000	7,714
Pest control	200	233	233
Ben Lomand equipment lease	7,000	7,000	4,663

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2009

	Budget		Actual
	Original	Final	
Operating expenses - cont.			
Contracted services:			
Maintenance and repairs:			
communication equipment	3,000	3,000	15,357
building	1,500	1,500	1,149
office equipment	600	600	
vehicle	400	400	
Generator maintenance	700	1,611	1,611
Yard maintenance	1,800	1,800	1,502
Total contracted services	94,010	98,107	104,763
Supplies and materials:			
Office supplies	4,500	4,500	3,055
Custodial supplies	1,200	1,523	1,424
Postage	375	375	128
Small equipment purchases	1,000	1,000	2,525
Utilities - electric	12,000	15,449	15,465
Utilities - gas	500	905	941
Utilities - water and sewer	400	400	223
Utilities - telephone	22,000	25,385	24,411
Utilities - cell phone and pagers	750	1,020	438
Total supplies and materials	42,725	50,557	48,610
Other charges:			
Bank charges			221
Dues and memberships	500	807	807
Employee testing and exams	1,000	1,360	1,276
Insurance - workers compensation	2,700	2,700	2,168
Insurance - building and contents	9,000	9,000	7,901
Premiums on surety bonds	1,200	1,200	1,152
Public education	400	650	621
Service awards	5,000	5,000	4,195
EMD training	8,000	4,000	2,239
Other training		6,800	5,874
Vehicle fuel	1,200		
Travel	4,000	4,470	4,357
Board travel expense	2,000	2,271	2,271
Purchases - maps	200	200	
Miscellaneous	2,500	3,195	4,155
Total other charges	37,700	41,653	37,237
Depreciation	60,000	58,478	100,992
Amortization	80,000	8,744	1,542
Total operating expenses	868,435	863,435	888,348
Operating income (loss)	(434,165)	(429,165)	(394,859)

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2009

	Budget		Actual
	Original	Final	
Nonoperating revenues (expenses):			
Interest income	6,000	6,000	6,018
Rental income	17,000	17,000	21,365
Miscellaneous	750	750	87
Contributions from primary government -			
County appropriations	130,000	130,000	130,000
Contributions from City of McMinnville	130,000	130,000	130,000
Contributions from other government	104,000	104,000	
TECB grants and reimbursements	41,415	41,415	14,575
Interest expense	(12,000)		(23,851)
	<u>417,165</u>	<u>429,165</u>	<u>278,194</u>
Total nonoperating revenues (expenses)			
Net increase in net assets	\$ <u>(17,000)</u>	\$ <u>0</u>	\$ <u>(116,665)</u>

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

June 30, 2009

Number of public safety answering points	1
Address of public safety answering point	902 Bridge Builders Rd. McMinnville, TN 37110
Type of system/equipment and database	TCI ANI/ALI Interface system Stand-alone database
Director of District	Charles Haston, Jr. 219 Morrison St. McMinnville, TN 37110 (931) 224-0976 fax (931) 668-7007
Chairman of District	Mark Gribble 327 West Colville St. McMinnville, TN 37110 (931) 473-8269 fax (931) 668-7007

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS

June 30, 2009

<u>Year ending June 30,</u>	<u>First National Bank</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 71,113	\$ 33,950	\$ 105,063
2011	74,325	30,738	105,063
2012	77,665	27,398	105,063
2013	81,307	23,756	105,063
2014	85,042	20,021	105,063
2015	88,949	16,114	105,063
2016	93,004	12,059	105,063
2017	97,308	7,755	105,063
2018	101,778	3,285	105,063
2019	17,412	101	17,513
	<u>\$ 787,903</u>	<u>\$ 175,177</u>	<u>\$ 963,080</u>

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

OTHER INFORMATION

June 30, 2009

The District had the following insurance in force at June 30, 2009:

<u>Type of Coverage</u>	<u>Expiration Date</u>	<u>Limit of Liability</u>
Commercial property:	August 27, 2009	
Real property		\$ 1,120,766
Personal property		432,848
Repeaters		54,739
Business income		12 months actual loss
General liability	August 27, 2009	
General aggregate		3,000,000
Personal injury and advertising injury		1,000,000
Medical expense		5,000
Commercial umbrella liability	August 27, 2009	1,000,000 per occurrence 2,000,000 aggregate
Management liability	August 27, 2009	1,000,000 per occurrence 3,000,000 aggregate 5,000 injunctive relief
Automotive liability	August 27, 2009	
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, 2009	Statutory limits

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

Year ended June 30, 2009

	CFDA #	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
<u>State Financial Assistance</u>						
Tennessee Emergency Communications Board - GIS grant 2009	N/A	Z03016957		\$ 14,575	\$ 14,575	

The above is not a major federal program.

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 business-type activities of the Warren County Emergency Communication District, a component unit of Warren County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise the Warren County Emergency Communication District basic financial statements and have issued our report thereon dated November 24, 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 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 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 one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Warren County Emergency Communication District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 09-1 to be a significant deficiency 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.

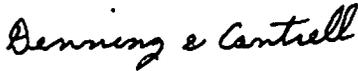
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described above is a material weakness.

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 one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is describe in the accompanying schedule of findings and responses as item 08-3.

Warren County Emergency Communication District's response to the findings identified in our audit is 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 federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

McMinnville, Tennessee
November 24, 2009

WARREN COUNTY EMERGENCY COMMUNICATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

Year Ending June 30, 2009

- 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."
- 09-1 Finding - Year end accruals were not made.
- Recommendation - All accruals should be recorded prior to the records being presented for audit.
- Management's Response - "Our new bookkeeper was under the impression that your firm would want to make these accruals."

Finding 08-3 was mentioned in last year's report.