

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

ANNUAL FINANCIAL REPORT

Year ended June 30, 2010

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WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

LIST OF OFFICIALS

June 30, 2010

Members of the Board of Directors at June 30, 2010 are:

| <u>Name</u> | <u>Term Expires</u> | <u>Office</u> |
|--------------|---------------------|-----------------------|
| Mark Gribble | October 22, 2010 | Chairman |
| Frank Rice | October 22, 2011 | Vice-Chairman |
| Judy Kelsey | October 22, 2011 | Secretary & Treasurer |
| John Pelham | October 22, 2011 | |
| Norman Rone | October 22, 2011 | |
| Billy Wood | October 22, 2011 | |
| Jerry Womack | October 22, 2010 | |
| Gary George | October 22, 2010 | |
| Teddy Boyd | October 22, 2011 | |

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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 activity of the Warren County Emergency Communication District, a component unit of Warren County, Tennessee, as of and for the year ended June 30, 2010, 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.

As discussed in Note A, the financial statements present only the Warren County Emergency Communication District's enterprise fund and do not purport to, and do not, present fairly the financial position of Warren County, Tennessee, as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity of the Warren County Emergency Communication District as of June 30, 2010, 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 15, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iv through x be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Warren County Emergency Communication District's financial statements as a whole. The list of officials, 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. The list of officials, the other supplementary information, and the schedule of state financial assistance are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other record and records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Denning & Cantrell

Certified Public Accountants

McMinnville, Tennessee
November 15, 2010

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, 2010 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 \$1,792,612 and exceeded liabilities by \$1,026,058 (net assets). Of the total net assets, \$371,796 was classified as unrestricted. Total assets decreased in 2010 by \$74,063 and total net assets increased by \$16,579.

The District's total operating revenues were \$628,122, an increase of 27% from the previous year. The District's Emergency Telephone Service Charge revenue increased from \$306,084 in 2009 to \$351,462 in 2010, a difference of \$45,378. This increase is a result, partially, from the District's application for and the approval of a residential landline 911 surcharge increase from \$1.00 per pathway to 911 to \$1.50 per pathway to 911. The rate increase approval was effective in the third quarter of fiscal year 2009-2010. The District has not realized the full impact of this rate increase as of this report; however, it is estimated that this rate structure will increase the Emergency Telephone Service Charges by \$67,000 per year. The Tennessee Emergency Communications Board Shared Wireless distribution for the year ending June 30, 2010 was \$165,170, an increase of \$102,004, and the Tennessee Emergency Communications Board's Operational Funding distribution was \$111,490. 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 1.3% over 2009. This increase was due to depreciation and health insurance expenses.

Interest income increased from \$6,018 in 2009 to \$7,873 in 2010, a difference of \$1,855. This increase was as result of interest rates available from a certificate of deposit with Homeland Community Bank. Rental income from tower lease agreements with Verizon Wireless and DTC Wireless remained steady with \$21,365 in 2009 and \$21,342 in 2010.

Throughout fiscal year ending June 30, 2010 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. At fiscal year end, June 30, 2010, the District was actively researching available solutions for the upgrade of the 911 telephone system in order to meet "Next Generation 911" requirements. Also known as "NexGen 911" the Tennessee Emergency Communications Board will reimburse 911 Districts for the purchase of compliant equipment.

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 22, 2008. This note has a maturity date of August 22, 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 30, 2010 was \$717,474.

GENERAL TRENDS AND SIGNIFICANT EVENTS

The Warren County Emergency Communications District's Emergency Telephone (wireline) Service Charge revenue increased by \$45,378 over last fiscal year. This represents an increase of land-line telephone subscribers within Warren County and the proceeds from an increase in the residential 911 surcharge from \$1.00 per pathway to \$1.50 per pathway to 911. 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). Operating revenue through the State of Tennessee shared wireless distribution at fiscal year's end was \$165,170.

In 2009, the Warren County Emergency Communications District applied for an increase of the present landline rate structure. Representatives of the District appeared before the Tennessee Emergency Communications Board in Nashville. The District received approval from the Tennessee Emergency Communications Board to increase the residential (wireline) from \$1.00 per pathway to 911 to \$1.50 per pathway to 911. The 911 surcharge rate structure is as follows:

Business/ Commercial landlines- \$3.00 per pathway to 911

Residential - \$1.50 per pathway to 911

In fiscal year 2009-2010 the District received \$111,490 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 30, 2010, the District had \$1,948,477 invested in capital assets, representing a net increase of \$18,028 from last year. This increase was a result of the installation of wastewater handling equipment and associated components and communications equipment purchases. In 2008, the Warren County Emergency Communications District completed 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.

Of the District's Capital Assets, 59.3% represents the District's 911 Communications Center, land and paving. Communications equipment represents 38.5% with the remaining 2.2% comprised of furniture, fixtures and the District's vehicle.

BUDGETARY ANALYSIS

For the fiscal year 2009-2010, total expenses were 2.4% greater than budget. Total income was 44.6% more than budgeted.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES

Years ending June 30, 2009 and June 30, 2010

| | <u>2010</u> | <u>2009</u> | <u>Variance Amount</u> |
|--|-------------------------|-------------------------|----------------------------|
| Operating Revenues | | | |
| Emergency telephone service charges | 351,462 | 306,084 | 45,378 |
| ECB Shared Wireless | 165,170 | 63,166 | 102,004 |
| ECB Operational Funding | <u>111,490</u> | <u>124,239</u> | <u>(12,749)</u> |
| <u>Total Operating Revenues</u> | <u>628,122</u> | <u>493,489</u> | <u>134,633</u> |
| Operating Expenses | | | |
| Salaries and Wages | 492,545 | 493,996 | (1451) |
| Employee Benefits | 97,369 | 101,208 | (3839) |
| Contracted Services | 110,870 | 104,763 | 6,107 |
| Supplies and Materials | 51,312 | 48,610 | 2702 |
| Other Charges | 31,565 | 37,237 | (5672) |
| Depreciation | 114,330 | 100,992 | 13,338 |
| Amortization | <u>1,740</u> | <u>1,542</u> | <u>198</u> |
| <u>Total Operating Expenses</u> | <u>899,731</u> | <u>888,348</u> | <u>11,383</u> |
| Operating Income (loss) | <u>(271,609)</u> | <u>(394,859)</u> | <u>123,250</u> |
| Nonoperating Revenues | | | |
| Miscellaneous nonoperating revenues | 63,215 | 42,045 | 21,170 |
| Contributions from Primary Government | <u>260,000</u> | <u>260,000</u> | <u>0</u> |
| Total Nonoperating Revenues | <u>323,215</u> | <u>302,045</u> | <u>21,170</u> |
| Nonoperating Expense | | | |
| Interest Expense | <u>35,027</u> | <u>23,851</u> | <u>11,176</u> |
| Increase in net assets | <u>16,579</u> | <u>(116,665)</u> | <u>133,244</u> |

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
CONDENSED COMPARATIVE STATEMENTS OF NET ASSETS
June 30, 2009 and June 30, 2010

| | <u>2010</u> | <u>2009</u> | <u>Variance</u> <u>Amount</u> |
|---|-------------------------|-------------------------|----------------------------------|
| <u>ASSETS</u> | | | |
| Current Assets: | | | |
| Cash | | | |
| Unrestricted | 327,272 | 346,994 | (19,722) |
| Receivable | 31,195 | 3,933 | 27,262 |
| Due TECB | <u>44,296</u> | <u>37,505</u> | <u>6,791</u> |
| Total Current Assets | <u>402,963</u> | <u>388,432</u> | <u>14,531</u> |
| Property and Equipment: | | | |
| Land | 14,085 | 14,085 | 0 |
| Paving | 9,883 | 9,883 | 0 |
| Building | 1,131,739 | 1,120,389 | 11,350 |
| Communications Equipment | 750,539 | 743,861 | 6,678 |
| Office Furniture and Fixtures | 19,516 | 19,516 | 0 |
| Vehicles | <u>22,715</u> | <u>22,715</u> | <u>0</u> |
| | <u>1,948,477</u> | <u>1,930,449</u> | <u>18,028</u> |
| | <u>576,741</u> | <u>462,411</u> | <u>114,330</u> |
| Less Accum Deprec | | | |
| | <u>1,371,736</u> | <u>1,468,038</u> | <u>(96,302)</u> |
| Other Asset | | | |
| Mapping Costs (less accumulated amortization) | <u>17,913</u> | <u>10,205</u> | <u>7,708</u> |
| Total Assets | <u>1,792,612</u> | <u>1,866,675</u> | <u>(74,063)</u> |
| <u>LIABILITIES</u> | | | |
| Current Liabilities: | | | |
| Note Payable | 20,000 | 0 | 20,000 |
| Accounts payable | 0 | 38,900 | (38,900) |
| Accrued Interest payable | 336 | 777 | (441) |
| Accrued payroll | 13,481 | 11,099 | 2,382 |
| Accrued vacation payable | 15,263 | 18,517 | (3,254) |
| Current portion of long term debt | <u>75,009</u> | <u>71,113</u> | <u>3,896</u> |
| Total Current Liabilities | <u>124,089</u> | <u>140,406</u> | <u>(16,317)</u> |
| Long Term Debt | | | |
| Note Payable (less amount due in 1 yr) | 642,465 | 716,790 | (74,325) |
| Net Assets | | | |
| Invested in capital assets | 654,262 | 680,135 | (25,873) |
| Unrestricted net assets | <u>371,796</u> | <u>329,344</u> | <u>42,452</u> |
| Total Net Assets | <u>1,026,058</u> | <u>1,009,479</u> | <u>(16,579)</u> |

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 13, 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 applied for and received approval for a residential landline surcharge increase. This restructure increased the residential landline charge from \$1.00 per line to \$1.50 per line adding approximately \$67,000 in annual revenue. Additionally, the Tennessee Emergency Communications Board has released an additional share of the state collected wireless (cellular) to the Districts. This has increased the TECB shared wireless revenue distributed to the District by \$62,000 annually.

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 needed.

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, 2010

| <u>ASSETS</u> | | |
|---|----------------------------------|----------------------------|
| <u>CURRENT ASSETS</u> | | |
| Cash | | \$ 18,572 |
| Certificate of deposit | | 308,700 |
| Interest receivable | | 2,900 |
| Accounts receivable | | 28,495 |
| Due from Tennessee Emergency Communications Board | | <u>44,296</u> |
| | TOTAL CURRENT ASSETS | 402,963 |
| <u>PROPERTY AND EQUIPMENT</u> | | |
| Land | \$ 14,085 | |
| Paving | 9,883 | |
| Building | 1,131,739 | |
| Communications equipment | 750,539 | |
| Office furniture and fixtures | 19,516 | |
| Vehicles | <u>22,715</u> | |
| | 1,948,477 | |
| Less accumulated depreciation | <u>576,741</u> | 1,371,736 |
| <u>OTHER ASSET</u> | | |
| Mapping costs (less accumulated amortization of \$ 212,181) | | <u>17,913</u> |
| | TOTAL ASSETS | <u>1,792,612</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Note payable | | 20,000 |
| Accrued payroll | | 13,481 |
| Accrued interest payable | | 336 |
| Accrued vacation payable | | 15,263 |
| Current portion of long term debt | | <u>75,009</u> |
| | TOTAL CURRENT LIABILITIES | 124,089 |
| <u>LONG TERM DEBT</u> | | |
| Note payable | 717,474 | |
| Less amount due in one year | <u>75,009</u> | <u>642,465</u> |
| | TOTAL LIABILITIES | 766,554 |
| <u>NET ASSETS</u> | | |
| Invested in capital assets, net of related debt | | 654,262 |
| Unrestricted net assets | | <u>371,796</u> |
| | TOTAL NET ASSETS | \$ <u>1,026,058</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, 2010

| | | |
|---|-------------------------|---------------------------|
| Operating revenues: | | |
| Emergency telephone service charges | \$ | 351,462 ✓ |
| Tennessee Emergency Communications Board - Shared Wireless Charge | | 165,170 ✓ |
| Tennessee Emergency Communications Board - Operational Funding | | <u>111,490 ✓</u> |
| | | 628,122 |
| Operating expenses: | | |
| Salaries and wages | \$ | 492,545 ✓ |
| Employee benefits | | 97,369 |
| Contracted services | | 110,870 |
| Supplies and materials | | 51,312 |
| Other charges | | 31,565 ✓ |
| Depreciation | | 114,330 ✓ |
| Amortization | | <u>1,740</u> |
| | | <u>899,731 ✓</u> |
| | Operating income (loss) | (271,609) ✓ |
| Nonoperating revenues (expenses): | | |
| Interest income | | 7,873 ✓ |
| Rental income | | 21,342 ✓ |
| Contributions from primary government | | 130,000 ✓ |
| Contributions from City of McMinnville | | 130,000 |
| TECB - grants and reimbursements | | 34,000 ✓ |
| Interest expense | | <u>(35,027) ✓</u> |
| | | <u>288,188 ✓</u> |
| | Increase in net assets | 16,579 ✓ |
| Net assets at July 1, 2009 | | <u>1,009,479</u> |
| Net assets at June 30, 2010 | \$ | <u><u>1,026,058</u> ✓</u> |

Depreciation of property, plant and equipment was computed by the straight line method and amounted to \$114,330. ✓

Interest incurred during the year amounted to \$ 35,027. None of this amount was capitalized.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

Year ended June 30, 2010

| | |
|--|-----------------------------------|
| Cash flows from operating activities: | |
| Cash received from Surchargers and Other Revenues | \$ 592,836 |
| Cash received from tower rental | 21,342 |
| Cash paid to suppliers of goods and services | (330,027) |
| Cash paid to employees for services | <u>(493,406)</u> |
| NET CASH USED BY OPERATING ACTIVITIES | (209,255) |
| 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 | 34,000 |
| Additional mapping costs | <u>(9,448)</u> |
| NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES | 284,552 |
| Cash flows from capital and related financing activities: | |
| Purchase of building and equipment | \$ (18,028) |
| Note proceeds | 54,461 |
| Payments on notes payable | (104,890) |
| Interest paid on notes payable | <u>(35,468)</u> |
| NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES | (103,925) |
| Cash flows from investing activities - | |
| Purchase of certificates of deposit | (8,700) |
| Investment income | <u>8,906</u> |
| NET CASH USED IN INVESTING ACTIVITIES | 206 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (28,422) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>46,994</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ <u><u>18,572</u></u> |
| Reconciliation of operating income to cash flows from operating activities | |
| Operating loss | \$ (271,609) |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation and amortization | 116,070 |
| Tower rental | 21,342 |
| Decrease(Increase) in operating assets: | |
| Accounts receivable | (35,286) |
| Increase(Decrease) in operating liabilities: | |
| Accounts payable | (38,900) |
| Accrued expenses | <u>(872)</u> |
| TOTAL ADJUSTMENTS | <u>62,354</u> |
| NET CASH USED BY OPERATING ACTIVITIES | \$ <u><u>(209,255)</u></u> |

See Independent Auditors' Report and Notes to Financial Statements.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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.

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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 \$ 335,789 with carrying amount of \$ 327,272. Of this amount, \$308,700 was invested in a certificate of deposit which bears interest at 2.05% annually. The District also had \$200 in petty cash.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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, 2009</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance at June 30, 2010</u> |
|--|------------------------------------|--------------------|-------------------|-------------------------------------|
| Assets not being depreciated: | | | | |
| Land | \$ 14,085 | | | \$ 14,085 |
| Assets being depreciated: | | | | |
| Paving | 9,883 | | | 9,883 |
| Building | 1,120,389 | 11,350 | | 1,131,739 |
| Communications equipment | 743,861 | 6,678 | | 750,539 |
| Office furniture & fixtures | 19,516 | | | 19,516 |
| Vehicles | 22,715 | | | 22,715 |
| | <u>1,930,449</u> | <u>18,028</u> | <u>0</u> | <u>1,948,477</u> |
| <u>Accumulated Depreciation</u> | | | | |
| Paving | 9,884 | | | 9,884 |
| Building | 82,600 | 30,058 | | 112,658 |
| Communications equipment | 345,100 | 78,699 | | 423,799 |
| Office furniture & fixtures | 13,848 | 1,030 | | 14,878 |
| Vehicles | 10,979 | 4,543 | | 15,522 |
| | <u>462,411</u> | <u>114,330</u> | <u>0</u> | <u>576,741</u> |
| | <u>\$ 1,468,038</u> | <u>\$ (96,302)</u> | <u>\$ -</u> | <u>\$ 1,371,736</u> |

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 \$ 1,740.

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note F - NOTES PAYABLE

Current

The District has a line of credit with Homeland Community Bank which matures January 16, 2011. The interest rate is 4.05% and is collateralized by a certificate of deposit. This note has a limit of \$ 50,000. This note was incurred to pay for operating expenses.

| | | |
|--------------------------|----|----------------------|
| Balance at July 1, 2009 | \$ | 0 |
| Proceeds | | <u>20,000</u> |
| Balance at June 30, 2010 | \$ | <u><u>20,000</u></u> |

Long Term

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, 2010 was \$717,474.

| | | |
|--------------------------|----|-----------------------|
| Balance at July 1, 2009 | \$ | 787,903 |
| Proceeds | | 34,461 |
| Payments | | <u>(104,890)</u> |
| Balance at June 30, 2010 | \$ | <u><u>717,474</u></u> |

The note payable matures as follows:

| <u>Year ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-------------------|-------------------|-------------------|
| 2011 | \$ 75,009 | \$ 30,054 | \$ 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 |
| 2016-2019 | <u>309,502</u> | <u>23,199</u> | <u>332,701</u> |
| Total | <u>\$ 717,474</u> | <u>\$ 140,542</u> | <u>\$ 858,016</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, 2010

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, 2010 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, 2010, Warren County E-911's annual pension cost of \$5,459 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, 2009, which established contribution rates effective July 1, 2010.

Trend Information

| <u>Fiscal Year</u> <u>Ending</u> | <u>Annual Pension</u> <u>Cost (APC)</u> | <u>Percentage of</u> <u>APC Contributed</u> | <u>Net Pension</u> <u>Obligation</u> |
|-------------------------------------|--|--|---|
| June 30, 2010 | \$ 5,459 | 100.00% | \$ 0 |
| June 30, 2009 | \$ 5,412 | 100.00% | \$ 0 |
| June 30, 2008 | \$ 7,534 | 100.00% | \$ 0 |

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note G - EMPLOYEE PENSION - continued

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 138.56% percent funded. The actuarial accrued liability for benefits was \$.21 million, and the actuarial value of assets was \$.29 million, resulting in an unfunded actuarial accrued liability (UAAL) of (\$.08) million. The covered payroll (annual payroll of active employees covered by the plan) was \$ 0.27 million, and the ratio of the UAAL to the covered payroll was -29.71% 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) |
|--------------------------|-------------------------------|---------------------------------------|-------------------------------|--------------------|---------------------|---|
| 7/1/09 | \$ 292 | \$ 211 | \$ (81) | 138.56% | \$ 273 | -29.71% |
| 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 \$ 21,342.

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 employee benefits exceeded appropriations by \$ 19,560, contracted services exceed appropriations by \$2,438, and depreciation exceeded budget by \$32,330.

Note K - The amount of advertising expensed for the year was \$37.

See Independent Auditors' Report.

REQUIRED SUPPLEMENTARY INFORMATION

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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

June 30, 2010

(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) |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 7/1/09 | \$ 292 | \$ 211 | \$ (81) | 138.56% | \$ 273 | -29.71% |
| 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 went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

OTHER SUPPLEMENTARY INFORMATION

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF BUDGETARY COMPARISON

Year ended June 30, 2010

| | Budget | | Actual |
|--------------------------------------|----------------|----------------|----------------|
| | Original | Final | |
| <u>Operating revenues</u> | | | |
| Emergency telephone service charges: | | | |
| Ben Lomand | \$ 320,000 | \$ 320,000 | \$ 308,721 |
| Citizens Telecom | 44,772 | 54,000 | 41,701 |
| Other user fees | | 270 | 1,041 |
| TECB - shared wireless charge | 105,000 | 60,000 | 165,169 |
| TECB - operational funding | 104,000 | | 111,490 |
| Total operating revenues | <u>573,772</u> | <u>434,270</u> | <u>628,122</u> |
| <u>Operating expenses</u> | | | |
| Salaries and wages: | | | |
| Director | 52,000 | 52,000 | 52,000 |
| Administrative personnel | 46,400 | 49,054 | 49,054 |
| Dispatchers | 362,000 | 356,455 | 348,520 |
| Overtime pay | 12,500 | 42,971 | 42,971 |
| Total salaries and wages | <u>472,900</u> | <u>500,480</u> | <u>492,545</u> |
| Employee benefits: | | | |
| Social security | 36,176 | 32,500 | 30,800 |
| Medicare | | 7,154 | 7,154 |
| Unemployment compensation | 1,500 | 518 | 7,974 |
| Medical insurance | 44,000 | 32,000 | 45,944 |
| Retirement contributions | 7,000 | 5,637 | 5,497 |
| Total employee benefits | <u>88,676</u> | <u>77,809</u> | <u>97,369</u> |
| Contracted services: | | | |
| Addressing and mapping expenses | 34,800 | 26,550 | 35,400 |
| Advertising | | 200 | 37 |
| Audit services | 1,750 | 2,000 | 2,000 |
| Administrative fees | | 181 | 565 |
| Fiscal agent charges | | 9,791 | 9,792 |
| Financial advisory services | | 5,233 | |
| Janitorial services | | 3,715 | 3,715 |
| Legal services | 7,600 | 5,865 | 5,500 |
| Radio maintenance | | 2,482 | 2,482 |
| Office equipment maintenance | | 240 | 115 |
| Ben Lomand maintenance | | 5,214 | 5,214 |
| Citizens maintenance | | 2,106 | 2,106 |
| Computer mapping maintenance | 19,000 | 19,049 | 19,049 |
| Dekalb Cooperative maintenance | | 498 | 498 |
| NCIC/TBI/TIES expenses | 8,000 | 9,754 | 11,754 |
| Pest control | | 239 | 240 |
| Ben Lomand equipment lease | | 4,275 | 4,275 |

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2010

| | Budget | | Actual |
|-----------------------------------|------------------|------------------|------------------|
| | Original | Final | |
| Operating expenses - cont. | | | |
| Contracted services: | | | |
| Maintenance and repairs: | | | |
| communication equipment | 8,252 ✓ | 3,000 ✓ | 934 ✓ |
| building | | 4,127 ✓ | 4,127 ✓ |
| office equipment | | 600 ✓ | 240 ✓ |
| vehicle | | 400 ✓ | 64 ✓ |
| Generator maintenance | | 868 ✓ | 868 ✓ |
| Yard maintenance | | 2,045 ✓ | 1,895 ✓ |
| Total contracted services | <u>79,402 ✓</u> | <u>108,432 ✓</u> | <u>110,870 ✓</u> |
| Supplies and materials: | | | |
| Office supplies | 7,075 ✓ | 4,465 ✓ | 6,094 ✓ |
| Custodial supplies | | 1,544 ✓ | 1,544 ✓ |
| Postage | | 375 ✓ | 293 ✓ |
| Small equipment purchases | | 1,000 ✓ | |
| Utilities - electric | 36,000 ✓ | 15,000 ✓ | 12,466 ✓ |
| Utilities - gas | | 906 ✓ | 839 ✓ |
| Utilities - water and sewer | | 400 ✓ | 201 ✓ |
| Utilities - telephone | | 29,300 ✓ | 27,922 ✓ |
| Utilities - cell phone and pagers | | 2,025 ✓ | 1,953 ✓ |
| Total supplies and materials | <u>43,075 ✓</u> | <u>55,015 ✓</u> | <u>51,312 ✓</u> |
| Other charges: | | | |
| Bank charges | | | 298 ✓ |
| Dues and memberships | 763 ✓ | 764 ✓ | 377 ✓ |
| Employee testing and exams | | 1,000 ✓ | 680 ✓ |
| Insurance - workers compensation | 2,700 ✓ | 2,700 ✓ | 1,879 ✓ |
| Insurance - building and contents | 9,000 ✓ | 12,230 ✓ | 12,230 ✓ |
| Insurance - vehicles | | 1,227 ✓ | 1,227 ✓ |
| License and fees | | 108 ✓ | |
| Premiums on surety bonds | 1,200 ✓ | 1,200 ✓ | 1,152 ✓ |
| Public education | 700 ✓ | 651 ✓ | 150 ✓ |
| Service awards | | 2,373 ✓ | |
| EMD training | | 4,000 ✓ | 2,628 ✓ |
| Other training | 15,000 ✓ | 5,030 ✓ | 2,402 ✓ |
| Travel | 4,500 ✓ | 5,312 ✓ | 5,765 ✓ |
| Board travel expense | | 2,271 ✓ | 1,690 ✓ |
| Equipment purchase or lease costs | 97,622 ✓ | | |
| Miscellaneous | | 9,254 ✓ | 1,087 ✓ |
| Total other charges | <u>131,485 ✓</u> | <u>48,120 ✓</u> | <u>31,565 ✓</u> |
| Depreciation | 62,000 ✓ | 82,000 ✓ | 114,330 ✓ |
| Amortization | | 6,488 ✓ | 1,740 ✓ |
| Total operating expenses | <u>877,538 ✓</u> | <u>878,344 ✓</u> | <u>899,731 ✓</u> |
| Operating income (loss) | <u>(303,766)</u> | <u>(444,074)</u> | <u>(271,609)</u> |

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2010

| | Budget | | Actual |
|---|-----------------|--------------------|------------------|
| | Original | Final | |
| Nonoperating revenues (expenses): | | | |
| Interest income | | 6,000 | 7,873 |
| Rental income | 26,000 | 17,000 | 21,342 |
| Miscellaneous | | 750 | |
| Contributions from primary government - | | | |
| County appropriations | | 130,000 | 130,000 |
| Contributions from City of McMinnville | | 130,000 | 130,000 |
| Contributions from other government | 260,000 | | |
| TECB grants and reimbursements | 17,000 | 145,415 | 34,000 |
| Interest expense | | | (35,027) |
| | <u>303,000</u> | <u>429,165</u> | <u>288,188</u> |
| Total nonoperating revenues (expenses) | <u>303,000</u> | <u>429,165</u> | <u>288,188</u> |
| Net increase in net assets | <u>\$ (766)</u> | <u>\$ (14,909)</u> | <u>\$ 16,579</u> |

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**SCHEDULE OF INFORMATION REQUIRED BY THE TENNESSEE
EMERGENCY COMMUNICATIONS BOARD**

June 30, 2010

| | |
|---|---|
| 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 |

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

June 30, 2010

| <u>Year ending June 30,</u> | <u>First National Bank</u> | | |
|-----------------------------|----------------------------|-------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2011 | \$ 75,009 | \$ 30,054 | \$ 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 | 100 | 17,512 |
| | <u>\$ 717,474</u> | <u>\$ 140,542</u> | <u>\$ 858,016</u> |

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

OTHER INFORMATION

June 30, 2010

The District had the following insurance in force at June 30, 2010:

| <u>Type of Coverage</u> | <u>Expiration Date</u> | <u>Limit of Liability</u> |
|--|---------------------------|--|
| Commercial property: | August 27, 2010 | |
| Real property | | \$ 1,165,597 |
| Personal property | | 450,162 |
| Repeaters | | 56,928 |
| Business income | | 12 months actual loss |
| Money & securities | | 10,000 |
| Software | | 250,000 |
| General liability | August 27, 2010 | |
| General aggregate | | 3,000,000 |
| Personal injury and advertising injury | | 1,000,000 |
| Medical expense | | 5,000 |
| Commercial umbrella liability | August 27, 2010 | |
| | | 1,000,000 per occurrence |
| | | 2,000,000 aggregate |
| Management liability | August 27, 2010 | |
| | | 1,000,000 per occurrence |
| | | 3,000,000 aggregate |
| | | 25,000 injunctive relief |
| Automotive liability | August 27, 2010 | |
| 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, 2010 | Statutory limits |

See Independent Auditors' Report.

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

Year ended June 30, 2010

| | CFDA # | Contract Number | Beginning (Accrued) Deferred | Cash Receipts | Expenditures | Ending (Accrued) Deferred |
|---|--------|-----------------|---------------------------------|------------------|------------------|------------------------------|
| <u>State Financial Assistance</u> | | | | | | |
| Tennessee Emergency Communications Board - GIS grant 2010 | N/A | Z03016957 | | \$ 34,000 | \$ 34,000 | |
| The above is not a major federal program. | | | | | | |
| Total State Awards | | | \$ - | \$ 34,000 | \$ 34,000 | \$ - |

See Independent Auditors' Report.

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, 2010, which collectively comprise the Warren County Emergency Communication District basic financial statements and have issued our report thereon dated November 15, 2020. 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 two instances of noncompliance or other matters that is required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 08-3 and 10-1.

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.

Denning & Cantrell
Certified Public Accountants

McMinnville, Tennessee
November 15, 2010

WARREN COUNTY EMERGENCY COMMUNICATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

Year Ending June 30, 2010

- 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 - "This was an oversight. We will monitor our budges in the future."
- 10-1 Finding - Employees were paid in advance for work to be performed.
- Recommendation - Employees should not be paid in advance as this amounts to employee loans which violates state law.
- Management's Response - "These advance payments occurred when the pay period ended on a holiday or weekend and personnel would not have been here to disburse the payroll checks. We will correct our procedures."

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