

**CUMBERLAND COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE**

FINANCIAL STATEMENTS

June 30, 2011

HASELL RAY YORK AND ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Phone: 931-484-5570

P. O. Box 137 • 228 Rector Avenue
Crossville, Tennessee 38557

**CUMBERLAND COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE**

FINANCIAL STATEMENTS

June 30, 2011

**CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE**

TABLE OF CONTENTS

June 30, 2011

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Roster of Management Officials	1
<u>FINANCIAL SECTION</u>	
Management's Discussion and Analysis	2 – 6
Independent Auditor's Report	7 – 8
<u>FINANCIAL STATEMENTS</u>	
Statement of Net Assets	9
Statement of Revenues, Expenses, and Changes in Net Assets	10 – 12
Statement of Cash Flows	13 – 14
Notes to the Financial Statements	15 – 22
<u>SUPPLEMENTAL INFORMATION</u>	
Budget Comparisons Schedule (Cash Basis Budget)	23 – 25
Schedule of Bonds on Principal Officers	26
<u>INTERNAL CONTROL AND COMPLIANCE SECTION</u>	
Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Report	27 – 28
Schedule of Findings, Recommendations, and Responses	29
Disposition of Prior Years Findings	30

INTRODUCTORY SECTION

ROSTER OF MANAGEMENT OFFICIALS

CUMBERLAND COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
ROSTER OF MANAGEMENT OFFICIALS (UNAUDITED)
June 30, 2011

EVERETT BOLIN, CHAIRMAN
2089 East First Street
Crossville, Tennessee 38555

CREED LYNN TOLLETT, VICE CHAIRMAN
7680 Dunbar Road
Crossville, Tennessee 38572

ROBERT COUCH, TREASURER
12 Hampton Square
Crossville, Tennessee 38555
(Retired August 1, 2011)

AMY COX, SECRETARY
253 Ivanhoe Lane
Crossville, Tennessee 38555

LAMARR GREEN
1152 Pea Ridge Road
Crab Orchard, Tennessee 37723

ROBERT CITKOVIC
18 Pamala Lane
Fairfield Glade, Tennessee 38558

MCKINLEY TABOR
P. O. Box 2582
Crossville, Tennessee 38557

MARK FOX
100 Lantana Road, Suite 202
Crossville, Tennessee 38555

KIMBERLY PEASLEE
9997 Old Hwy 28
Pikeville, Tennessee 37367

FINANCIAL SECTION



**CUMBERLAND COUNTY 911
EMERGENCY COMMUNICATIONS DISTRICT**
42 SOUTHBEND DRIVE
CROSSVILLE, TENNESSEE 38555
931-484-0179

EVERETT BOLIN
CHAIRMAN

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011

As financial management of the Cumberland County Emergency Communications District (the "District"), we offer readers of these financial statements this narrative overview and analysis of the District for the fiscal year ending June 30, 2011. Please read it in conjunction with the District's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

The District's total net assets increased in 2010/2011 from \$1,095,556 to \$1,192,622 or 8.86% over the previous year. We attribute the increase to the receipt of a \$201,070 equipment grant in 2010/2011, used to purchase several items of routing and recording equipment. We experienced an increase in our operating revenues again this year and non-operating revenues also resulted in a net increase considering an impairment loss of \$76,971 and the equipment grant. Taking all sources of revenue into consideration, we experienced an overall increase in revenues of 15.49%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditor's report, and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The Statement of Net Assets presents information on all District assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets (without a corresponding increase to liabilities) results in increased net assets, which indicates an improved financial position.

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2011

FINANCIAL ANALYSIS

Net assets may serve, over time as a useful indicator of the government's financial position. In the case of the District, assets exceeded liabilities by \$1,192,622 at the close of the last fiscal year ending June 30, 2011. The District repaid \$45,000 of its long-term indebtedness.

Again this period, the District is showing a reduction in landline revenue. This has been a recurring trend now for the past three (3) fiscal years. Due to the downturn in the economy new house sales are down dramatically in our area. This results in less growth in our landline revenue. When we couple that with the move to newer wireless and VOIP technologies, our traditional revenue streams are severely hampered.

This year we did see an actual increase in our overall operational revenues. This was due to increased wireless shared revenue being released from the Tennessee Emergency Communications Board.

Our Non-Operating Revenues did increase significantly, due to a \$201,070 one time grant received from the Tennessee Emergency Communications Board for upgrades to existing PSAP equipment.

NET ASSETS

Table A-1
Condensed Statements of Net Assets

	<u>FY 2011</u>	<u>FY 2010</u>	<u>Dollar Change</u>
Current and Other Assets	\$ 688,299.07	\$ 752,439.74	\$ (64,140.67)
Capital Assets	<u>1,304,360.65</u>	<u>1,154,751.23</u>	<u>149,609.42</u>
Total Assets	<u>\$1,992,659.72</u>	<u>\$1,907,190.97</u>	<u>\$ 85,468.75</u>
Current Liabilities	<u>\$ 74,037.87</u>	<u>\$ 40,634.97</u>	<u>\$ 33,402.90</u>
Long-term Debt:			
Bonds Payable – Long-term	<u>726,000.00</u>	<u>771,000.00</u>	<u>(45,000.00)</u>
Net Assets:			
Invested in Capital Assets	583,057.02	388,797.64	194,259.38
Restricted	100,000.00	100,000.00	.00
Unrestricted	<u>509,564.83</u>	<u>606,758.36</u>	<u>(97,193.53)</u>
Total Net Assets	<u>1,192,621.85</u>	<u>1,095,556.00</u>	<u>97,065.85</u>
Total Liabilities and Net Assets	<u>\$1,992,659.72</u>	<u>\$1,907,190.97</u>	<u>\$ 85,468.75</u>

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2011

NET ASSETS (continued)

Table A-2
Condensed Statements of Revenues,
Expenses and Changes in Net Assets

	FY 2011	FY 2010	Dollar Change
Operating Revenues	\$ 842,530.08	\$ 808,042.20	\$ 34,487.88
Non-Operating Revenues (Net):			
Interest Income	6,457.79	11,088.70	(4,630.91)
Miscellaneous Income	100.00	157.48	(57.48)
Contributions from Other Governments	10,000.00	22,000.00	(12,000.00)
TECB – Grants and Reimbursements	201,069.80	10,000.00	191,069.80
Impairment Loss	(76,971.45)	.00	(76,971.45)
Total Revenues	<u>983,186.22</u>	<u>851,288.38</u>	<u>131,897.84</u>
Operating Expenses	763,684.37	763,418.00	266.37
Depreciation Expense	119,166.67	136,138.45	(16,971.78)
Interest and Amortization	3,269.33	3,423.29	(153.96)
Total Expenses	<u>886,120.37</u>	<u>902,979.74</u>	<u>(16,859.37)</u>
Changes in Net Assets	97,065.85	(51,691.36)	148,757.21
Beginning Net Assets	<u>1,095,556.00</u>	<u>1,147,247.36</u>	<u>(51,691.36)</u>
Ending Net Assets	<u>\$1,192,621.85</u>	<u>\$1,095,556.00</u>	<u>\$ 97,065.85</u>

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The following table summarizes the District's Capital Assets, Net of Accumulated Depreciation for the fiscal years ended June 30, 2011 and 2010:

	<u>FY 2011</u>	<u>FY 2010</u>	<u>Dollar Change</u>
Building and Improvements	\$1,014,732.43	\$1,014,732.43	\$.00
Furniture and Fixtures	17,881.49	17,888.77	(7.28)
Office Equipment	36,500.87	32,272.87	4,228.00
Communication Equipment	959,811.87	778,333.12	181,478.75
Vehicles	20,987.30	20,987.30	.00
Total	<u>2,049,913.96</u>	<u>1,864,214.49</u>	<u>185,699.47</u>
Accumulated Depreciation	<u>(745,553.31)</u>	<u>(709,463.26)</u>	<u>64,541.90</u>
Net Capital Assets	<u>\$1,304,360.65</u>	<u>\$1,154,751.23</u>	<u>\$250,241.37</u>

See Note 4 and Note 8 of the financial statements for additional details.

Debt Administration:

The District's Long-term Debt consists of the following:

	<u>FY 2011</u>	<u>FY 2010</u>	<u>Dollar Change</u>
Tennessee Municipal Bond Fund	<u>\$726,000.00</u>	<u>\$771,000.00</u>	<u>\$ (45,000.00)</u>

See Note 5 of the financial statements for additional details.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors and Rates:

- The District currently maintains a rate for the Emergency Telephone Service Charge (the vast majority of our annual revenue) of \$1.40 per residential line and \$2.75 per commercial line. In 2007 the District petitioned the Tennessee Emergency Communication Board for an extension to the current rate through July 2011. We petitioned the State to maintain our existing rates in 2011 and were successful.

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (continued)

Economic Factors and Rates (continued)

- As expressed in earlier summaries, we are continuing to be concerned about the migration from land line phone to cellular or other technologies (VOIP). This is a problem across most of the 911 Districts statewide. Even with the increases from the wireless 911 distributions from the State, we continue to see a steady decline in our revenue. Even though we showed revenue growth this year, due to the additional funding from the TNECB, we are concerned that this is the limit of funding available under their current revenue plan. With landline revenues continuing to decrease, and our wireless revenues becoming static, we could see significant loss of revenue in future years. We will continue to monitor this trend, and if necessary, possibly appeal to the ECB to increase our Emergency Telephone Surcharge to the maximum allowed under the law, of \$1.50 per residential, and \$3.00 per business.

Future Budgetary Considerations:

- In 2011/2012 the District is facing several budgetary challenges:
 - Continuing to fund the AVL/GPS Vehicle Guidance Program. Recurring costs for the infrastructure program have proven to be more expensive than originally expected. We are negotiating with our cellular provider to bring down these costs. However, at the same time we are hoping to expand the services available with the AVL devices. This would keep the cost of the AVL expense at approximately the same level.
 - The District will also be facing a new challenge in meeting the Next Generation 9-1-1 implementation both a state wide and national initiative. The Tennessee Emergency Communications Board did provide a grant to offset the cost of the equipment requirements, but it remains to be seen if it will cover all of the actual expenses.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Cumberland County 911 Emergency Communications District
Office of the Treasurer
42 Southbend Drive
Crossville, Tennessee 38555

INDEPENDENT AUDITOR'S REPORT

Hassell Ray York and Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 137 • Phone: 931-484-5570
Crossville, Tennessee 38557

November 10, 2011

Board of Directors
Cumberland County Emergency
Communications District
42 Southbend Drive
Crossville, Tennessee 38555

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Cumberland County Emergency Communications District, a component unit of Cumberland County, Tennessee, as of and for the year ended June 30, 2011. These financial statements are the responsibility of the Cumberland County Emergency Communications 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cumberland County Emergency Communications District as of June 30, 2011, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

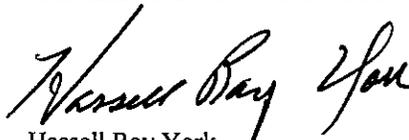
In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2011, on our consideration of Cumberland County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 2 – 6 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The introductory section and accompanying financial information listed as supplementary information in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements in 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully,

HASSELL RAY YORK AND ASSOCIATES, P.C.



Hassell Ray York
Certified Public Accountant

FINANCIAL STATEMENTS

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2011

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 122,187.08
Certificates of Deposit	193,041.67
Accrued Interest Receivable	2,433.71
Accounts Receivable	41,324.69
Due From Tennessee Emergency Communications Board	201,069.80
Prepaid Expenses	<u>23,545.75</u>
Total Current Assets	<u>583,602.70</u>

NON-CURRENT ASSETS

Restricted Certificates of Deposit	<u>100,000.00</u>
Other Assets:	
Unamortized Bond Cost	<u>4,696.37</u>
Capital Assets:	
Building and Improvements	1,014,732.43
Furniture and Fixtures	17,881.49
Office Equipment	36,500.87
Communication Equipment	959,811.87
Vehicles	<u>20,987.30</u>
Total Capital Assets	2,049,913.96
Accumulated Depreciation	<u>(745,553.31)</u>
Capital Assets, Net	<u>1,304,360.65</u>
Total Non-Current Assets	<u>1,409,057.02</u>

TOTAL ASSETS

\$1,992,659.72

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 70,073.95
Accrued Payroll	1,508.34
Compensated Absences Payable	1,351.08
Accrued Payroll Deductions	1,104.50
Notes Payable – Current	<u>46,000.00</u>
Total Current Liabilities	<u>120,037.87</u>

NON-CURRENT LIABILITIES

Notes Payable – Long-term	<u>680,000.00</u>
---------------------------	-------------------

TOTAL LIABILITIES

\$ 800,037.87

NET ASSETS

NET ASSETS

Invested in Capital Assets – Net of Related Debt	\$ 583,057.02
Restricted for Debt Service	100,000.00
Unrestricted Net Assets	<u>509,564.83</u>

TOTAL NET ASSETS

\$1,192,621.85

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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

OPERATING REVENUES

Emergency Telephone Service Charge	\$ 497,521.22
Tennessee Emergency Communications Board – Shared Wireless Charge	122,154.06
Tennessee Emergency Communications Board – Operational Funding	<u>222,854.80</u>
Total Operating Revenues	<u>842,530.08</u>

OPERATING EXPENSES

Salaries and Wages

Director	41,993.25
Administrative Personnel	<u>92,868.43</u>
Total Salaries and Wages	<u>134,861.68</u>

Employee Benefits

Social Security	8,361.52
Medicare	1,955.43
Medical Insurance	<u>43,206.12</u>
Total Employee Benefits	<u>53,523.07</u>

Contracted Services

Audit Services	6,000.00
Accounting Services	2,040.00
Impact Payments	274,131.32
Janitorial Services	7,475.83
Legal Services	9,000.00
Maintenance Agreements	24,158.50
Other Consultants	6,012.50
Pest Control	660.00
Maintenance and Repairs – Communication Equipment	19,739.51
Maintenance and Repairs – Building and Facilities	8,135.44
Maintenance and Repairs – Office Equipment	1,640.89
Maintenance and Repairs – Vehicles	919.12
Fuel – Vehicles	2,398.16
Language Line	512.15
Garbage Pickup	<u>1,237.11</u>
Total Contracted Services	<u>364,060.53</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (CONTINUED)
For the Year Ended June 30, 2011

Supplies and Materials

Office Supplies	12,671.20
Custodial Supplies	715.58
Data Processing Supplies	90.00
Postage	654.00
Uniforms and Shirts	2,496.90
Utilities – Electric	19,139.02
Utilities – Gas	1,040.00
Utilities – Water	385.80
Utilities – General Telephone	14,437.14
Utilities – Cell Phones and Pagers	449.33
Utilities – Computer Lines	1,383.80
Utilities – Trunk Lines	38,295.98
Utilities – AVL Wireless	75,873.62
Other Supplies and Materials	<u>303.44</u>
Total Supplies and Materials	<u>167,935.81</u>

Other Charges

Board Meeting Expense	212.04
Dues and Memberships	498.00
Insurance – Workers Compensation	1,179.00
Insurance – Liability	1,558.01
Insurance – Building and Contents	13,121.83
Insurance – Vehicles	1,185.00
Legal Notices	663.85
Licenses and Permits	401.65
Premiums on Surety Bonds	585.00
Public Education	1,634.17
Service Awards	194.44
Travel Expenses	1,712.44
Internet Charges	1,097.91
Dispatcher Training	14,903.28
Other Fees	<u>4,356.66</u>
Total Other Charges	<u>43,303.28</u>

Depreciation

Depreciation Expense	<u>119,166.67</u>
Total Depreciation	<u>119,166.67</u>

Amortization

Amortization Expense	<u>350.04</u>
Total Amortization	<u>350.04</u>

Total Operating Expenses	<u>883,201.08</u>
Operating Income (Loss)	<u>(40,671.00)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (CONTINUED)
For the Year Ended June 30, 2011

NONOPERATING REVENUES (EXPENSES)	
Interest Income	297.88
Investment Income	6,159.91
Contributions From Other Governments and Agencies	10,000.00
Tennessee Emergency Communications Board – Grants and Reimbursements	201,069.80
Miscellaneous Income	100.00
Interest Expense	(2,919.29)
Impairment Loss	<u>(76,971.45)</u>
Total Nonoperating Revenue (Expenses)	<u>137,736.85</u>
INCREASE (DECREASE) IN NET ASSETS	97,065.85
NET ASSETS – BEGINNING OF YEAR	<u>1,095,556.00</u>
NET ASSETS – END OF YEAR	<u>\$1,192,621.85</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Surcharge and Other Revenues	\$ 849,150.64
Cash Payments to Suppliers for Goods and Services	(563,132.04)
Cash Payments for Payroll, Taxes, and Related Benefits	<u>(197,910.07)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>88,108.53</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants/Reimbursements TECB	10,000.00
Contributions from Other Governments and Agencies	<u>.00</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>10,000.00</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(311,946.09)
Principal Paid on Notes Payable	(45,000.00)
Interest Paid on Notes Payable	<u>(2,919.29)</u>
NET CASH FLOWS USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(359,865.38)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	6,721.71
Decrease in Certificates of Deposit	<u>196,958.33</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>203,680.04</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (58,076.81)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>180,263.89</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 122,187.08</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2011

RECONCILIATION OF NET OPERATING INCOME (LOSS)	
TO NET CASH PROVIDED BY (USED FOR)	
OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (40,671.00)
ADJUSTMENTS TO RECONCILE OPERATING	
INCOME (LOSS) TO NET CASH PROVIDED BY	
(USED FOR) OPERATING ACTIVITIES:	
Depreciation	119,166.67
Amortization	350.04
CHANGES IN ASSETS AND LIABILITIES:	
(Increase) Decrease in Accounts Receivables	6,520.56
(Increase) Decrease in Prepaid Expenses	3,040.81
Increase (Decrease) in Accounts Payable	9,126.77
Increase (Decrease) in Accrued Payroll	(5,855.39)
Increase (Decrease) in Accrued Payroll Deductions Payable	145.90
Increase (Decrease) in Compensated Absences Payable	(3,815.83)
Miscellaneous Income	<u>100.00</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 88,108.53</u>
RECONCILIATION OF CASH WITH STATEMENT OF CASH FLOWS:	
Cash Per Statement of Net Assets	\$ 122,187.08
Investments With Original Maturity of Three (3) Months or Less	<u>.00</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2011	<u>\$ 122,187.08</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Purchase of Capital Assets on Account	<u>\$ 33,801.45</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Cumberland County Emergency Communications District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The *Governmental Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The Cumberland County Emergency Communications District was organized July, 1990, under the authority of ***Title 7, Chapter 86, Tennessee Code Annotated***, for the purpose of providing to the residence within the boundaries of Cumberland County, Tennessee with emergency 9-1-1 service as a means of securing emergency services quickly and efficiently.

The County Commission of Cumberland County, Tennessee is the basic level of government which has financial accountability and control over certain activities related to the Cumberland County Emergency Communications District. The County Commission of Cumberland County, Tennessee must approve any issuance of debt by the District, has the authority to adjust the District's service charges, and appoints the nine member Board of Directors which governs the District. The Cumberland County Emergency Communications District is a component unit of Cumberland County, Tennessee.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Assets. Net assets (i.e., total assets net of total liabilities) are segregated into Invested Capital Assets, Net of Related Debt; Restricted for specified purposes; and Unrestricted components. The Operating Statement presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

The District follows all pronouncements of the *Governmental Accounting Standards Board*, and has elected not to follow *Financial Accounting Standards Board* pronouncements issued after November 30, 1989.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and Investments

For the purpose of the Statement of Cash Flows, cash and cash equivalents have original maturities of three (3) months or less from the date of acquisition.

Capital Assets

Capital Assets are defined by the District as assets with an initial, individual cost of \$3,000.00 or greater, and an estimated useful life of three (3) years or greater.

Capital Assets are carried at cost. The District capitalizes net interest cost as part of the cost of constructing capital assets.

Capital assets in service are depreciated using the straight-line method at rates that will amortize costs over the estimated useful lives of the assets. The estimated useful lives are as follows:

Building and Improvements	40 Years
Vehicles, Equipment, Furniture, and Fixtures	5 to 10 Years

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities will be first used for retirement of related long-term debt. The remainder, if generated from earnings, is shown as Restricted Net Assets.

Compensated Absences

The District's policy provides that vacation time may be accumulated and carried forward to the next year in an amount not to exceed 184 total hours. Any hours exceeding the 184-hour limit will be converted to sick leave if not used prior to the end of the current employment year. Upon termination of employment, an employee will be entitled to payment of any unused vacation time, which has accrued, up to 184 hours. Payment will be based upon the employee's daily rate of compensation at the time of termination. The accumulated amount is charged to expense and corresponding liability in the financial statements.

Long-term Debt and Costs

Long-term Debt is reported at face value. Costs related to the issuance of debt are deferred and amortized over the life of the debt issue.

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Expenses

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the District's principal ongoing operations. The principal Operating Revenues of the District are emergency telephone service charges collected from telephone service providers and shared wireless charges. Operating Expenses include the cost of salaries and wages, employee benefits, contracted services, materials and supplies, other charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as Non-Operating Revenues and Expenses.

Net Assets

Net assets are classified into three components – Invested in Capital Assets, Net of Related Debt, Restricted, and Unrestricted. These classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This component of net assets consist of net assets that do not meet the definition of "Restricted" or "Invested in Capital Assets, Net of Related Debt."

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.

Budget

The budget is legally adopted, by the Board of Commissioners, in accordance with the provisions of **Tennessee Code Annotated, Section 7-86-120**.

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS

Investment of District funds is restricted by State of Tennessee statutes to include the following:

Bonds, notes, or treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies;

Certificates of deposit and other evidence of deposit at Tennessee State chartered banks and savings and loan associations and federally chartered banks and savings and loan associations;

The State of Tennessee local government investment pool;

Obligations of the United States or its agencies under a repurchase agreement, with certain conditions;

Bonds rated A or higher by any nationally recognized rating service of the State of Tennessee, bonds of any county or municipal corporations of the State of Tennessee (bonds of any road, levee, or drainage district is expressly excluded), bonds of any other state or political subdivision;

Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, and the Student Loan Marketing Association provided such securities are rated in the highest category by at least two (2) nationally recognized rating services;

The county's own bonds or notes issued in accordance with TCA Title 9, Chapter 21.

The investment must have a maturity of not greater than two (2) years or with certain authorized approval up to five (5) years.

At June 30, 2011, the District's deposits consisted of the following:

	<u>Bank Balance</u>	<u>Carrying Value</u>
First Bank – Operating Account	\$279,580.73	\$107,308.13
First National Bank of Tennessee – Payroll Account	14,878.95	14,878.95
Certificate of Deposit	90,000.00	90,000.00
Progressive Savings Bank – Certificate of Deposit	<u>203,041.67</u>	<u>203,041.67</u>
 Total Deposits	 <u>\$587,501.35</u>	 <u>\$415,228.75</u>

The difference between the bank balance and carrying amount is due to outstanding checks and/or deposits in transit.

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2011 deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000.00. In addition, First Bank is a member of the State of Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The District's deposits in financial institutions were entirely insured or collateralized at June 30, 2011.

The District had no investments at June 30, 2011.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts Receivable at June 30, 2011 consisted of funds due from the following agencies:

Volunteer First Services	\$ 5,779.49
Bledsoe Tele Cooperative	183.66
Citizens Telecommunications Company of Tennessee	31,948.31
Miscellaneous Providers	<u>3,413.23</u>
Total	<u>\$41,324.69</u>

NOTE 4 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets at June 30, 2011 follows:

	Balance 6/30/10	Increases	Decreases	Balance 6/30/11
Capital Assets Being Depreciated:				
Building and Improvements	\$1,014,732.43	\$.00	\$.00	\$1,014,732.43
Office Equipment and Fixtures	50,161.64	4,228.00	7.28	54,382.36
Communication and Computer				
Equipment	778,333.12	341,519.54	160,040.79	959,811.87
Vehicles	20,987.30	.00	.00	20,987.30
Total Capital Assets Being				
Depreciated	<u>1,864,214.49</u>	<u>345,747.54</u>	<u>160,048.07</u>	<u>2,049,913.96</u>
Less: Accumulated Depreciated				
Building and Improvements	137,036.22	25,850.93	.00	162,887.15
Office Equipment and Fixtures	40,312.78	3,270.42	7.28	43,575.92
Communication and Computer				
Equipment	511,126.96	90,045.32	83,069.34	518,102.94
Vehicle	20,987.30	.00	.00	20,987.30
Total Accumulated Depreciation	<u>709,463.26</u>	<u>119,166.67</u>	<u>83,076.62</u>	<u>745,553.31</u>
Net Capital Assets	<u>\$1,154,751.23</u>	<u>\$ 226,580.87</u>	<u>\$ 76,971.45</u>	<u>\$1,304,360.65</u>

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 5 – LONG-TERM DEBT

On November 17, 2004, the District obtained financing in the amount of \$1,000,000.00 through the City of Crossville, from the Public Building Authority of the City of Clarksville, Tennessee Adjustable Rate Pooled Financing Revenue Bonds, Series 2004 (Tennessee Municipal Bond Fund) for the purpose of constructing a new facility for the Emergency Communications Center. The loan rate for each loan payment period is calculated by the Trustee based on interest rates determined by the Remarketing Agent for the current month. The interest rate in effect at June 30, 2011 was 0.270%.

Details of the District’s long-term debt for the year ended June 30, 2011 are as follows:

	Balance 6/30/10	Additions	Reductions	Balance 6/30/11	Due Within One Year
Tennessee Adjustable Rate Pooled Financing Revenue Bonds, Series 2004, Maturing 2024, Rate – Adjustable	\$771,000.00	\$.00	\$45,000.00	\$726,000.00	\$46,000.00

Debt Service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2012	\$ 46,000.00	\$ 1,947.95	\$ 47,947.95
2013	48,000.00	1,823.22	49,823.22
2014	49,000.00	1,693.35	50,693.35
2015	51,000.00	1,560.52	52,560.52
2016	52,000.00	1,422.55	53,422.55
2017	54,000.00	1,281.62	55,281.62
2018	56,000.00	1,135.29	57,135.29
2019	57,000.00	983.82	57,983.82
2020	59,000.00	829.39	59,829.39
2021	61,000.00	669.56	61,669.56
2022	63,000.00	504.32	63,504.32
2023	64,000.00	333.96	64,333.96
2024	66,000.00	160.62	66,160.62
Total	\$726,000.00	\$ 14,346.17	\$740,346.17

Interest requirements are computed using the rate in effect at June 30, 2011 of 0.270%.

The bonds are secured to the City of Crossville by a statutory lien on the property and improvements thereto and on the revenues of the District. In the event that any indebtedness is not satisfied in full by these liens, the City of Crossville is given a lien on the District revenues that are not required uses of “911” revenue, as set forth within the Revenue Standards of the Tennessee Emergency Communications Board, as may be amended.

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 – RISK FINANCING

The Cumberland County Emergency Communications District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three (3) years. There were no significant reductions in insurance coverage in the prior year.

<i>Commercial General Liability</i>	<u>Period of Coverage</u>	<u>Limits</u>
General Aggregate	04/30/2011 – 04/30/2012	\$3,000,000
Products Aggregate		3,000,000
Personal and Advertising Injury		1,000,000
Each Occurrence or Medical Incident		1,000,000
Medical Expense, Any One Person		5,000
 <i>Vehicle</i>		
Liability, Each Accident	04/30/2011 – 04/30/2012	1,000,000
Uninsured Motorists		1,000,000
Underinsured Motorists		1,000,000
Medical Payments		10,000
Physical Damage – Comprehensive		Actual Cash Value
Physical Damage – Collision		Actual Cash Value
Deductible – Comprehensive		250
Deductible – Collision		250
 <i>Schedule of Property Coverage</i>		
Real Property	04/30/2011 – 04/30/2012	1,216,653
Personal Property		558,052
Deductible Per Occurrence –		
Policy – Per Occurrence		250
Earthquake – Per Item		88,735
Flood – Per Premises		1,000
Money and Securities		10,000
Software		250,000
 <i>Management Liability</i>		
Aggregate Limit	04/30/2011 – 04/30/2012	3,000,000
Wrongful Act, Each		1,000,000
Injunctive Relief, Each Action		25,000
 <i>Workmen’s Compensation</i>		
Each Accident	10/15/2010 – 10/15/2011	100,000
Disease – Each Employee		100,000
Policy Limit		500,000
 <i>Employee Theft</i>		
Per Loss Coverage –		
Limit of Occurrence	06/24/2011 – 06/24/2012	50,000
Excess Limit of Insurance		
Specified Employee or Positions		
For Employee Theft Only – Limit Per Occurrence		700,000

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 – CONTINGENT LIABILITIES

The District is involved in a claim with a former employee regarding a disputed interpretation of an employment contract, whereby, the former employee contends that separation pay and compensation time are owed in the potential amount of \$60,000.00. Although the outcome of this claim is not presently determinable, it is the assessment of the District's legal counsel that the compensation time portion of the claim is without merit and the separation pay portion of the claim is not considered to have a high probability of success on its merits.

NOTE 8 – IMPAIRMENT LOSS

The District has reported an impairment loss of \$76,971.45 as a result of the permanent reduction in usage of its radio console system as it became necessary to replace it with a digital system to be compatible with the County's digital radio system.

SUPPLEMENTAL INFORMATION

BUDGET COMPARISON SCHEDULE

(CASH BASIS BUDGET)

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
BUDGETARY COMPARISON SCHEDULE (CASH BASIS BUDGET)
For the Year Ended June 30, 2011

	Actual	Budget	Variance
<u>Cash Receipts</u>	<u>(Cash Basis)</u>	<u>(Cash Basis)</u>	<u>Over</u>
			<u>(Under)</u>
Emergency Telephone Service Charges	\$ 504,041.78	\$ 506,620.00	\$ 2,578.22
TECB – Shared Wireless Charges	122,154.06	343,935.00	221,780.94
TECB – Operational Funding	222,854.80	24,000.00	(198,854.80)
Other Income	100.00	.00	(100.00)
Interest Income	297.89	400.00	102.11
Investment Income	6,423.83	52,697.00	46,273.17
Contributions From Other Governments and Agencies	10,000.00	.00	(10,000.00)
TECB – Grants and Reimbursements	.00	228,000.00	228,000.00
Total Cash Basis Revenues	<u>865,872.36</u>	<u>1,155,652.00</u>	<u>289,779.64</u>
<u>Cash Expenditures</u>			
<u>Salaries and Wages</u>			
Director	48,201.90	48,202.00	.10
Administrative Personnel	96,331.00	93,587.00	(2,744.00)
Other Salaries and Wages	.00	2,301.00	2,301.00
Total Salaries and Wages	<u>144,532.90</u>	<u>144,090.00</u>	<u>(442.90)</u>
<u>Employee Benefits</u>			
Social Security	8,961.13	8,962.00	.87
Medicare	2,095.66	2,096.00	.34
Medical Insurance	43,206.12	46,408.00	3,201.88
Total Employee Benefits	<u>54,262.91</u>	<u>57,466.00</u>	<u>3,203.09</u>
<u>Contracted Services</u>			
Audit Services	6,000.00	6,000.00	.00
Accounting Services	2,040.00	2,040.00	.00
Impact Payments	275,615.21	278,354.00	2,738.79
Janitorial Services	6,890.83	7,567.00	676.17
Legal Services	9,000.00	10,800.00	1,800.00
Maintenance Agreements	20,737.53	22,200.00	1,462.47
Other Consultants	5,012.50	4,000.00	(1,012.50)
Pest Control	660.00	660.00	.00
Maintenance and Repairs – Communications Equipment	21,035.52	20,000.00	(1,035.52)
Maintenance and Repairs – Building and Facilities	8,135.44	9,000.00	864.56
Maintenance and Repairs – Office Equipment	1,640.89	2,000.00	359.11
Maintenance and Repairs – Vehicles	919.12	859.00	(60.12)
Fuel – Vehicles	2,597.87	2,387.00	(210.87)
Language Line	556.25	650.00	93.75
Garbage Pickup	1,237.11	1,173.00	(64.11)
Total Contracted Services	<u>362,078.27</u>	<u>367,690.00</u>	<u>5,611.73</u>

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
BUDGETARY COMPARISON SCHEDULE (CASH BASIS BUDGET) (CONTINUED)
For the Year Ended June 30, 2011

<u>Cash Expenditures (continued)</u>	Actual	Budget	Variance
	(Cash Basis)	(Cash Basis)	Over
			(Under)
<u>Supplies and Materials</u>			
Office Supplies	12,390.52	10,200.00	(2,190.52)
Custodial Supplies	715.58	850.00	134.42
Data Processing Supplies	90.00	108.00	18.00
Postage	654.00	573.00	(81.00)
Uniforms and Shirts	2,496.90	2,500.00	3.10
Utilities – Electric	19,013.17	19,185.00	171.83
Utilities – Gas	1,040.00	1,182.00	142.00
Utilities – Water	385.80	400.00	14.20
Utilities – General Telephone	14,371.96	14,425.00	53.04
Utilities – Cell Phones and Pagers	449.33	460.00	10.67
Utilities – Computer Lines	1,522.18	1,245.00	(277.18)
Utilities – Trunk Lines	36,736.69	38,000.00	1,263.31
Utilities – AVL Wireless	67,712.84	68,000.00	287.16
Printing Expenses	303.44	300.00	(3.44)
Total Supplies and Materials	157,882.41	\$ 157,428.00	(454.41)
<u>Other Charges</u>			
Bank Charges	.00	100.00	100.00
Board Meeting	212.04	250.00	37.96
Dues and Memberships	498.00	200.00	(298.00)
Insurance – Worker’s Compensation	1,205.00	1,500.00	295.00
Insurance – Liability	1,558.00	1,000.00	(558.00)
Insurance – Building and Contents	13,476.00	16,000.00	2,524.00
Insurance – Vehicles	1,185.00	1,200.00	15.00
Legal Notices	723.45	750.00	26.55
Licenses and Fees	401.65	500.00	98.35
Premium on Surety Bonds	585.00	650.00	65.00
Public Education	1,634.17	1,787.00	152.83
Service Awards	194.44	195.00	.56
Travel Expenses	1,712.44	1,869.00	156.56
Internet Charges	1,097.91	1,119.00	21.09
Dispatcher Training	13,445.87	14,163.00	717.13
Other Fees	4,356.66	350.00	(4,006.66)
Interest Expenses	2,919.29	28,000.00	25,080.71
Total Other Charges	45,204.92	69,633.00	24,428.08
Total Cash Basis Expenses	763,961.41	796,307.00	32,345.59
Cash Basis Net Income (Loss)	101,910.95	\$ 359,345.00	\$ 257,434.05

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
BUDGETARY COMPARISON SCHEDULE (CASH BASIS BUDGET) (CONTINUED)
For the Year Ended June 30, 2011

Reconciliation of Cash Basis to Accrual Basis

Depreciation Expense	(119,166.67)
Amortization Expense	(350.04)
Impairment Loss	(76,971.45)
Decrease in Accrued Interest Receivable	(263.92)
Increase in Current Receivables	194,549.24
Decrease in Prepaid Expenses	(3,040.81)
Increase in Accounts Payable	(9,126.77)
Decrease in Accrued Payroll	5,855.39
Decrease in Compensated Absences Payable	3,815.83
Increase in Accrued Payroll Deductions Payable	<u>(145.90)</u>
Net Reconciliation of Cash to Accrual	<u>(4,845.10)</u>
Increase (Decrease) in Net Assets (Accrual)	97,065.85
Net Assets – Beginning of Period	<u>1,095,556.00</u>
Net Assets – End of Period	<u>\$1,192,621.85</u>

SCHEDULE OF BONDS
ON PRINCIPAL OFFICERS

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
SCHEDULE OF BONDS ON PRINCIPAL OFFICERS
June 30, 2011

The principal officials of the Cumberland County Communications District are covered under a Public Employee Dishonesty bond in the amount of \$50,000.00 per loss, coverage written with the State Automobile Mutual Insurance Company, policy number CRP 1331402 18. The current bond period is June 24, 2011 to June 24, 2012. Excess limit of insurance for employee theft for specified employee or positions is \$700,000.00 per occurrence. Specified positions include – Chairman, Vice Chairman, Treasurer, and Secretary.

**INTERNAL CONTROL AND
COMPLIANCE SECTION**

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS**

Hassell Ray York and Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 137 • Phone: 931-484-5570
Crossville, Tennessee 38557

November 10, 2011

Board of Directors
Cumberland County Emergency
Communications District
42 Southbend Drive
Crossville, Tennessee 38555

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*

We have audited the financial statements of Cumberland County Emergency Communications District, a component unit of Cumberland County, Tennessee, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 10, 2011. 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 Cumberland County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cumberland County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cumberland County Emergency Communications 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings, Recommendations, and Responses that we consider to be significant deficiencies in internal control over financial reporting. The deficiency is identified as 11-01. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

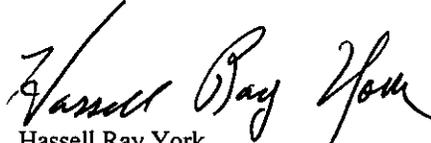
As part of obtaining reasonable assurance about whether Cumberland County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings, Recommendations, and Responses as item 11-01.

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

This report is intended solely for the information and use of management, Board of Directors, others within the entity, the Comptroller's Office of the State of Tennessee, and Cumberland County, Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

HASSELL RAY YORK AND ASSOCIATES, P.C.



Hassell Ray York
Certified Public Accountant

HRY:kam

**SCHEDULE OF FINDINGS,
RECOMMENDATIONS, AND RESPONSES**

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND RESPONSES
June 30, 2011

FINDING 11-01:

ACTUAL AMOUNTS EXCEED BUDGETED AMOUNTS

At the line-item level certain actual amounts exceed the budgeted amounts.

Tennessee Code Annotated, Section 7-86-120, states that no emergency communications district may spend monies, regardless of their source, except in accordance with an adopted budget.

Recommendation:

Management should periodically review actual to budgeted reports to ascertain that expenditures are being made within the budgeted amounts. The budget should be amended before additional expenditures are made in excess of the budgeted amounts.

Management's Response:

We will monitor budgeted amounts more closely and will amend the budget as the need arises.

DISPOSITION OF PRIOR YEAR FINDINGS

CUMBERLAND COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF CUMBERLAND COUNTY, TENNESSEE
DISPOSITION OF PRIOR YEAR FINDINGS
June 30, 2011

DISPOSITION OF PRIOR YEAR FINDINGS:

FINDING 10-01

ACTUAL AMOUNTS EXCEED BUDGETED AMOUNTS

This is a repeat finding that has not been corrected.