

**CANNON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

(A Component Unit)

Financial Statements

June 30, 2011

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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INTRODUCTORY SECTION

CANNON COUNTY 911 EMERGENCY COMMUNICATIONS DISTRICT

Po Box 475, Woodbury Tennessee 37190

Board of Directors

John Naylor, Chairman

3961 Murfreesboro Rd.
Readyville, Tn. 37149
563-5521

Anthony Young

118 Geedsville Rd.
Bradyville, Tn. 37026
849-2730

Richard Cope

126 Gassaway Rd.
Woodbury, Tn. 37190
563-2801

Roger Turney

291 Knob Hill Rd
Auburntown, Tn. 37016
464-4210

911 Board Attorney:

Mike Mahn
PO Box 80833
Chattanooga, Tn. 37414
423-280-3005

CPA: Sue H. Patrick

109 Lester St.
Woodbury, Tn. 37190
563-1328

James Adkins

369 Adams Ridge Ln.
Woodbury Tn. 37190
563-6240

Micheal George

393 Whippoorwill Rd.
Bradyville, Tn. 37026
765-7388

Brenda Phillips

4139 Hollow Springs Rd.
Bradyville, Tn. 37026
765-5573

Todd Hollandsworth

147 R.L. Overall Rd.
Auburntown, Tn. 37016
273-4174

Anna Pitman

114 Hopewell Rd
Bradyville TN 37026

Consultant (Addressing & Mapping)

William F, Ayers & Associates
PO Box 622
Winchester, Tn. 37398
931-967-4570

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

INDEPENDENT AUDITORS' REPORT

Board of Directors
Cannon County Emergency Communications District
Woodbury, Tennessee

I have audited the accompanying financial statements of Cannon County Emergency Communications District, a component unit of Cannon County, Tennessee for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of Cannon County Emergency Communications District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with generally accepted auditing standards of 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 I 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. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cannon County Emergency Communications District, a component unit of Cannon County, as of June 30, 2011, and the results of its operations and the cash flows for the year ending June 30, 2011 in conformity with generally accepted accounting principles of the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2011, on the consideration of Cannon County Emergency Communications District's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is to describe the scope of the 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 the audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The audit was conducted for the purpose of forming an opinion on the financial statements of Cannon County Emergency Communications District, a component unit of Cannon County, taken as a whole. The accompanying Introductory Section and the Supplemental Schedules in the table of contents, including the Schedule of State Financial Assistance, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in my opinion is fairly stated in all material respects in relation to the financial statements, taken as a whole.

John R Poole, CPA

September 30, 2011

Cannon County Emergency Communications District

Management's Discussion and Analysis

As management of the Cannon County Emergency Communications District, (the District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the District. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the Cannon County Emergency Communications District exceeded its liabilities at the close of the most recent fiscal year by \$640,653. Of this amount, \$303,425 (unrestricted net assets) may be used to meet the District's ongoing obligations. The District's total net assets decreased by \$10,637 during the current year, primarily as a result of lower than expected revenues even as non-depreciation expenses were held below budgeted levels.

Overview of the Financial Statements:

The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two 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.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The basic financial statements can be found on pages 6-8 of this report. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9-11 of this report.

Financial Analysis of the Financial Statements

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. In the case of the Cannon County Emergency Communications District, assets exceeded liabilities by \$640,653 at the close of the most recent fiscal year.

By far the largest portion of the District's assets reflects its investment in capital assets. The District uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending.

Cannon County Emergency Communications District's Net Assets - 2011

| | | |
|---|----|----------------|
| Current and other assets | \$ | 315,542 |
| Capital assets, net | | <u>435,099</u> |
| Total assets | | <u>750,641</u> |
| Long-term debt | | 96,734 |
| Other liabilities | | <u>13,254</u> |
| Total liabilities | | <u>109,988</u> |
| Net assets: | | |
| Invested in capital assets, net of debt | | 337,228 |
| Unrestricted | | <u>303,425</u> |
| Total net assets | \$ | <u>640,653</u> |

Cannon County Emergency Communications District's Net Assets - 2010

| | | |
|---|----|----------------|
| Current and other assets | \$ | 298,888 |
| Capital assets, net | | <u>466,019</u> |
| Total assets | | <u>764,907</u> |
| Long-term debt | | 97,871 |
| Other liabilities | | <u>15,746</u> |
| Total liabilities | | <u>113,617</u> |
| Net assets: | | |
| Invested in capital assets, net of debt | | 367,060 |
| Unrestricted | | <u>284,230</u> |
| Total net assets | \$ | <u>651,290</u> |

At the end to the current fiscal year, the District is able to report positive balances in all categories of net assets.

Comparison to prior year

| | <u>2011</u> | <u>2010</u> | <u>Favorable (Unfavorable) Variance</u> |
|--|------------------|------------------|---|
| Operating Revenues: | | | |
| Emergency Telephone Service Charge | \$100,087 | \$109,093 | (\$9,006) |
| State TECB Operational funding | 126,296 | 100,426 | 25,870 |
| State Emergency Communications Board Wireless Charge | 33,101 | 37,103 | (4,002) |
| Total Operating Revenues | <u>259,484</u> | <u>246,622</u> | <u>12,862</u> |
| Operating Expenses: | | | |
| Salaries and wages | 265,304 | 269,382 | 4,078 |
| Employee benefits | 36,198 | 33,657 | (2,541) |
| Dues | 4,600 | 209 | (4,391) |
| Addressing and mapping | 18,375 | 18,951 | 576 |
| Depreciation | 41,220 | 40,160 | (1,060) |
| Supplies | 12,962 | 17,865 | 4,903 |
| Insurance | 855 | 852 | (3) |
| Professional services | 9,600 | 9,200 | (400) |
| Training and travel | 8,457 | 8,544 | 87 |
| Utilities | 20,390 | 17,013 | (3,377) |
| Repair and maintenance | 31,662 | 27,593 | (4,069) |
| Total Operating Expenses | <u>449,623</u> | <u>443,426</u> | <u>(6,197)</u> |
| | | | |
| Operating income (loss) | <u>(190,139)</u> | <u>(196,804)</u> | <u>6,665</u> |
| Nonoperating Revenues (Expenses): | | | |
| Operating grants- State | 34,000 | 22,000 | 12,000 |
| Operating grants - City and County | 148,753 | 148,753 | 0 |
| Interest income | 1,202 | 2,497 | (1,295) |
| Interest expense | (4,453) | (4,500) | 47 |
| Total Nonoperating Revenues (Expenses) | <u>179,502</u> | <u>168,750</u> | <u>10,752</u> |
| | | | |
| Net change in net assets | <u>(10,637)</u> | <u>(28,054)</u> | <u>(17,417)</u> |

The assets of the Cannon County Emergency Communications District exceeded its liabilities at the close of the most recent fiscal year by \$640,653. Of this amount, \$303,425 (unrestricted net assets) may be used to meet the District's ongoing obligations. The District's total net assets decreased by \$10,637 during the current year, primarily as a result of lower than expected revenues even as non-depreciation expenses were held below budgeted levels.

Capital Assets

The Cannon County Emergency Communications District's investment in capital assets from its activities at June 30, 2011, amounts to \$435,099 (net or accumulated depreciation). This investment in capital assets is in communications equipment and vehicles.

| | <u>2011</u> | <u>2010</u> |
|-------------------------------|-------------------|------------------|
| Land | \$ 20,000 | 20,000 |
| Building | 266,740 | 266,740 |
| Software | 19,785 | 19,785 |
| Equipment | <u>297,786</u> | <u>287,486</u> |
| Total | 604,311 | 594,011 |
| Less accumulated depreciation | <u>(169,212)</u> | <u>(127,992)</u> |
| Net Capital Assets | \$ <u>435,099</u> | <u>466,019</u> |

Additional information on the Cannon County Emergency Communications District's capital assets can be found in the notes to the financial statements section of this report.

Long-term Debt

The District has a loan related to the construction of its facility. The outstanding balance at year end is \$97,871. The loan is paying down as scheduled.

Additional information on the Cannon County Emergency Communications District's long-term debt can be found in the notes to the financial statements section of this report.

Requests for Information

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

Sue Patrick
Cannon County Emergency Communications District

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Net Assets

June 30, 2011

| <u>Assets</u> | <u>Account Number</u> | |
|---|---------------------------|-------------------------|
| Current Assets: | | |
| Cash and cash equivalents | 1001 | \$188,396 |
| Certificate of deposits | 1001 | 114,709 |
| Accounts receivable | 1004 | 12,437 |
| Total Current Assets | | <u>315,542</u> |
| Capital Assets: | | |
| Land | 1351 | 20,000 |
| Building and improvements | 1302 | 266,740 |
| Communication equipment | 1308 | 260,188 |
| Communication software | 1308 | 19,785 |
| Office equipment | 1306 | 37,598 |
| Less accumulated depreciation -building | 1303 | (21,554) |
| Less accumulated depreciation -office | 1307 | (14,278) |
| Less accumulated depreciation -equipment | 1309 | (122,928) |
| Less accumulated depreciation - software | 1309 | (10,452) |
| Total Capital Assets, Net | | <u>435,099</u> |
| | | |
| Total Assets | | <u><u>\$750,641</u></u> |
| | | |
| <u>Liabilities and Fund Equity</u> | | |
| Current Liabilities | | |
| Accounts payable | 2001 | 1,720 |
| Accrued liabilities | 2020 | 10,397 |
| Current portion of long-term debt | 2202 | 1,137 |
| Total Current Liabilities | | <u>13,254</u> |
| | | |
| <u>Other Liabilities</u> | | |
| Long-term debt | 2202 | <u>96,734</u> |
| | | |
| Total liabilities | | <u><u>\$109,988</u></u> |
| | | |
| Net Assets: | | |
| Unrestricted | 2320 | 303,425 |
| Invested in capital assets, net of related debt | 2301 | 337,228 |
| Total Net assets | | <u>640,653</u> |

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

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**Statement of Revenues, Expenses
and Changes in Net Assets**

For the Year Ended June 30, 2011

| | Account Number | |
|--|-------------------|------------------|
| Operating Revenues: | | |
| Emergency Telephone Service Charge | 3001 | \$100,087 |
| State TECB Operational funding | 3003 | 126,296 |
| State Emergency Communications Board Wireless Charge | 3002 | 33,101 |
| Total Operating Revenues | | <u>259,484</u> |
| Operating Expenses: | | |
| Salaries | 4001 | 265,304 |
| Employee benefits | 4100 | 36,198 |
| Dues | 4405 | 4,600 |
| Addressing and mapping | 4201 | 18,375 |
| Depreciation | 4500 | 41,220 |
| Supplies | 4301 | 12,962 |
| Insurance | 4409 | 855 |
| Professional services | 4203 | 9,600 |
| Training and travel | 4418 | 8,457 |
| Utilities | 4307 | 20,390 |
| Repair and maintenance | 4232 | 31,662 |
| Total Operating Expenses | | <u>449,623</u> |
| Operating income (loss) | | <u>(190,139)</u> |
| Nonoperating Revenues (Expenses): | | |
| Operating grants - State | 5005 | 34,000 |
| Operating grants - City and County | 5006 | 148,753 |
| Interest income | 5002 | 1,202 |
| Interest expense | 5010 | (4,453) |
| Total Nonoperating Revenues (Expenses) | | <u>179,502</u> |
| Net change in net assets | | <u>(10,637)</u> |
| Net assets, June 30, 2010 | | <u>651,290</u> |
| Net assets, June 30, 2011 | | <u>\$640,653</u> |

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

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Statement of Cash Flows

For the Year Ending June 30, 2011

| | |
|---|---------------------------|
| Cash Flows from Operating Activities: | |
| Cash received from customers | \$259,484 |
| Cash paid to employees | (301,502) |
| Cash paid to suppliers | (115,629) |
| Net Cash Provided by Operating Activities | <u>(157,647)</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Debt service payments | (5,541) |
| Acquisition of capital assets | (10,300) |
| Net Cash Provided by Capital and Related Financing Activities | <u>(15,841)</u> |
| Cash Flows from Noncapital Activities: | |
| Grant contributions for operations | 182,753 |
| Net Cash From Noncapital Activities | <u>182,753</u> |
| Cash Flows from Investing Activities: | |
| Redemption (purchase) of certificate of deposit | (1,216) |
| Interest received | 1,202 |
| Net Cash From Investing Activities | <u>(14)</u> |
| Net Increase (decrease) in Cash | 9,251 |
| Cash and Cash Equivalents, June 30, 2010 | <u>179,145</u> |
| Cash and Cash Equivalents, June 30, 2011 | <u><u>\$188,396</u></u> |
| <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u> | |
| Operating income (loss) | (\$190,139) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 41,220 |
| Change in assets (increase) decrease: | |
| Accounts receivable | (6,188) |
| Change in liabilities increase (decrease): | |
| Accounts payable and accrued expenses | <u>(2,540)</u> |
| Net Cash Provided by Operating Activities | <u><u>(\$157,647)</u></u> |

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

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Cannon County Emergency Communications District (the District) is a political subdivision established pursuant to Sections 7-87-101 through Section 7-86-117 of the Tennessee Code Annotated and the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The powers of the District are vested in and exercised by a majority of the members of the Board of Directors, who are appointed by the County . The District is considered a political subdivision and is exempt from Federal and State income taxes. The District is considered a component unit of Cannon County. The County appoints the board of directors and the County Commission may adjust service fees and must approve bonded debt. As a result, the Cannon County Commission indirectly imposes its will on the District.

Basis of Accounting

The accompanying financial statements of the District have been prepared on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred. Expenditures are recognized in the accounting period in which the liability is incurred and is measurable.

The District applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions; issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The District has elected not to apply FASB Statements and interpretations issued after November 30, 1989.

Cash and Cash Equivalents

The District considers all highly liquid debt instruments purchased with maturities of 60 days or less to be cash equivalents.

Supply Inventory

Supply inventory is valued at the lower of cost (first-in, first-out) or market. Inventory items are considered expenditures when used (consumption method).

Property, Plant and Equipment

Property, plant and equipment of the District is recorded at cost. Depreciation is computed over the estimated life of the assets using the straight-line method. The estimated life for property, plant and equipment in service is from 3 to 10 years. The District capitalizes interest incurred on construction projects.

Estimates

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

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by Board vote on an annual basis. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Board has the ability to change line item amounts without a formal vote if the change does not increase the amounts budgeted.
- b. The budget amounts shown (page 13) are the final authorized amounts as amended during the year.

Note 2 - CASH AND CERTIFICATES OF DEPOSIT

The District is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During the year, the District invested funds that were not immediately needed in deposit accounts. The District has deposit policies to minimize custodial credit risks. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the District and must total a minimum of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The District's deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

Note 3 - CAPITAL ASSETS

A summary of changes in capital assets in service is as follows:

| | Balance <u>6-30-10</u> | <u>Additions</u> | <u>Disposals</u> | Balance <u>6-30-11</u> |
|-------------------------------|---------------------------|------------------|------------------|---------------------------|
| Land | 20,000 | - | - | 20,000 |
| Building | 266,740 | - | - | 266,740 |
| Software | 19,785 | - | - | 19,785 |
| Equipment | <u>287,486</u> | <u>10,300</u> | <u>-</u> | <u>297,786</u> |
| | 594,011 | 10,300 | - | 604,311 |
| Less accumulated depreciation | <u>(127,992)</u> | | | <u>(169,212)</u> |
| Utility plant - net | <u>\$466,019</u> | | | <u>435,099</u> |

Depreciation expense for the year was \$41,220. Accumulated depreciation is as follows—buildings \$21,554, software \$10,452, Equipment \$137,206.

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2011

Note 4 - LONG-TERM DEBT

The District constructed a new facility for its operations using an advance from Cannon County, Tennessee in the amount of \$100,000.

The following is a summary of changes in long-term debt:

| | <u>Balance</u> | | | <u>Balance</u> |
|-------------------|----------------|------------------|--------------------|----------------|
| | <u>6-30-10</u> | <u>Additions</u> | <u>Retirements</u> | <u>6-30-11</u> |
| Construction loan | \$ 98,959 | - | 1,088 | 97,871 |

Future maturities of note principal and interest are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|------------------|-----------------|
| 2012 | 1,137 | 4,404 |
| 2013 | 1,188 | 4,353 |
| 2014 | 1,242 | 4,299 |
| 2015 | 1,298 | 4,243 |
| 2016 | 1,356 | 4,185 |
| 2017-2021 | 7,751 | 19,954 |
| 2022-2026 | 9,660 | 18,045 |
| 2027-2031 | 12,038 | 15,667 |
| 2032-2036 | 15,001 | 12,704 |
| 2037-2041 | 18,694 | 9,011 |
| 2042-2046 | 23,296 | 4,409 |
| 2047 | <u>5,210</u> | <u>331</u> |
| Total | <u>\$ 97,871</u> | <u>101,605</u> |

The Building of the District is pledged as collateral on the bonded indebtedness until the existing principal and interest are paid in full.

Note 5 - RISK MANAGEMENT

The 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. The District purchases commercial financial bonded insurance for its Treasurer and Chairman. For all other risks, the District has decided to self-insure. There have been no claims during the last three years.

SUPPLEMENTAL INFORMATION

Financial schedules are used to demonstrate finance related legal and contractual compliance, provide details of data summarized in the financial statements and present other information deemed useful.

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**Schedule of Revenues and Expenses
Budget and Actual**

For the Year Ended June 30, 2011

| | | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable) Variance</u> |
|--|---------------|------------------|------------------|---|
| Operating Revenues: | <u>Number</u> | | | |
| Emergency Telephone Service Charge | 3001 | \$109,432 | \$100,087 | (\$9,345) |
| State TECB Operational funding | 3003 | 146,109 | 126,296 | (19,813) |
| State Emergency Communications Board Wireless Charge | 3002 | <u>32,142</u> | <u>33,101</u> | 959 |
| Total Operating Revenues | | <u>287,683</u> | <u>259,484</u> | <u>(28,199)</u> |
| Operating Expenses: | | | | |
| Salaries and wages | 4001 | 278,133 | 265,304 | 12,829 |
| Employee benefits | 4100 | 39,892 | 36,198 | 3,694 |
| Dues | 4405 | 5,900 | 4,600 | 1,300 |
| Addressing and mapping | 4201 | 18,825 | 18,375 | 450 |
| Depreciation | 4500 | 0 | 41,220 | (41,220) |
| Supplies | 4301 | 12,525 | 12,962 | (437) |
| Insurance | 4409 | 1,471 | 855 | 616 |
| Professional services | 4203 | 10,250 | 9,600 | 650 |
| Training and travel | 4418 | 8,700 | 8,457 | 243 |
| Utilities | 4307 | 20,930 | 20,390 | 540 |
| Repair and maintenance | 4232 | <u>33,556</u> | <u>31,662</u> | 1,894 |
| Total Operating Expenses | | <u>430,182</u> | <u>449,623</u> | <u>(19,441)</u> |
| Operating income (loss) | | <u>(142,499)</u> | <u>(190,139)</u> | <u>(8,758)</u> |
| Nonoperating Revenues (Expenses): | | | | |
| Grants- State | 5005 | 0 | 34,000 | 34,000 |
| Operating grants - City and County | 5006 | 148,753 | 148,753 | 0 |
| Interest income | 5002 | 2,100 | 1,202 | (898) |
| Interest expense | 5010 | <u>(5,541)</u> | <u>(4,453)</u> | 1,088 |
| Total Nonoperating Revenues (Expenses) | | <u>145,312</u> | <u>179,502</u> | <u>34,190</u> |
| Net change in net assets | | <u>2,813</u> | <u>(10,637)</u> | <u>(13,450)</u> |

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Monthly Rates in Effect

June 30, 2011

| <u>Type of Customer</u> | <u>Rate</u> |
|-------------------------|-------------|
| Residential customers | \$ 1.50 |
| Business customers | \$ 3.00 |

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Number and Classification of Customers

June 30, 2011

DeKalb Telephone Company

| | |
|-----------------------|-------|
| Residential customers | 3,383 |
| Business customers | 1,859 |

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of State Financial Assistance

For the Year Ended June 30, 2011

| <u>State Grant Number</u> | <u>Program Name</u> | <u>Grantor Agency</u> | <u>Receivable (Deferred) Balance July 1, 2010</u> | <u>Cash Receipts</u> | <u>Other Receipts</u> | <u>Cash Expenditures</u> | <u>Receivable (Deferred) Balance June 30, 2011</u> |
|---------------------------|---------------------|--|---|----------------------|-----------------------|--------------------------|--|
| N/A | GIS Grant | State of Tennessee Commerce and Insurance | \$0 | 24,000 | 0 | 24,000 | 0 |
| N/A | Training Grant | State of Tennessee Commerce and Insurance | \$0 | 10,000 | 0 | 10,000 | 0 |
| Totals | | | <u>0</u> | <u>34,000</u> | <u>0</u> | <u>34,000</u> | <u>0</u> |

CANNON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Debt Service Requirements

June 30, 2011

| Year | CAPITAL OUTLAY BUILDING | |
|------|----------------------------|----------------|
| | Principal | Interest |
| 2012 | \$ 1,137 | 4,404 |
| 2013 | 1,188 | 4,353 |
| 2014 | 1,242 | 4,299 |
| 2015 | 1,298 | 4,243 |
| 2016 | 1,356 | 4,185 |
| 2017 | 1,417 | 4,124 |
| 2018 | 1,481 | 4,060 |
| 2019 | 1,547 | 3,994 |
| 2020 | 1,617 | 3,924 |
| 2021 | 1,690 | 3,851 |
| 2022 | 1,766 | 3,775 |
| 2023 | 1,845 | 3,696 |
| 2024 | 1,928 | 3,613 |
| 2025 | 2,015 | 3,526 |
| 2026 | 2,106 | 3,435 |
| 2027 | 2,200 | 3,341 |
| 2028 | 2,299 | 3,242 |
| 2029 | 2,403 | 3,138 |
| 2030 | 2,511 | 3,030 |
| 2031 | 2,624 | 2,917 |
| 2032 | 2,742 | 2,799 |
| 2033 | 2,866 | 2,675 |
| 2034 | 2,994 | 2,547 |
| 2035 | 3,129 | 2,412 |
| 2036 | 3,270 | 2,271 |
| 2037 | 3,417 | 2,124 |
| 2038 | 3,571 | 1,970 |
| 2039 | 3,732 | 1,809 |
| 2040 | 3,900 | 1,641 |
| 2041 | 4,075 | 1,466 |
| 2042 | 4,258 | 1,283 |
| 2043 | 4,450 | 1,091 |
| 2044 | 4,650 | 891 |
| 2045 | 4,860 | 681 |
| 2046 | 5,078 | 463 |
| 2047 | 5,210 | 331 |
| | <u>\$ 97,871</u> | <u>101,605</u> |

**COMPLIANCE AND
INTERNAL CONTROL**

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Board of Directors
Cannon County Emergency Communications District
Woodbury, Tennessee

I have audited the financial statements (as listed in the table of contents) of Cannon County Emergency Communications District as of and for the year ended June 30, 2011, and have issued my report thereon dated September 30, 2011. I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing the audit, I considered the Cannon County Emergency Communications District's internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cannon County Emergency Communications District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a material weakness (2005-1 Lack of segregation of Duties).

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. I consider the deficiency described below (2005-1) to be a material weakness.

The material weakness is as follows:

Prior Year:

2005-1 Separation of Duties

Due to the limited number of personnel employed by the District, several functions, which ideally should be performed by different individuals, are regularly performed by one person. I recommend that the District strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Management Response:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cannon County Emergency Communications District's financial statements are free of material misstatement, I 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Cannon County Emergency Communications District's response to the finding identified in the audit is described above. I did not audit the Management Response and, accordingly, I express no opinion on it.

I noted certain matters that I reported to management of the Cannon County Emergency Communications District in a separate letter dated September 30, 2011.

This report is intended solely for the information and use of the audit committee, management, and State Comptrollers Office and is not intended to be and should not be used by anyone other than these specified parties.

John R Poole, CPA

September 30, 2011