

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**ANNUAL FINANCIAL REPORT**

**Year ended June 30, 2011**



WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

LIST OF OFFICIALS

June 30, 2011

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Members of the Board of Directors at June 30, 2011 are:

<u>Name</u>	<u>Term Expires</u>	<u>Office</u>
Mark Gribble	October 22, 2012	Chairman
Frank Rice	October 22, 2013	Vice-Chairman
Judy Kelsey	October 22, 2013	Secretary & Treasurer
John Pelham	October 22, 2011	
Norman Rone	October 22, 2011	
Rick Barnes	October 22, 2011	
Jerry Womack	October 22, 2012	
Gary George	October 22, 2011	
Teddy Boyd	October 22, 2011	

# Denning & Cantrell

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Warren County Emergency Communication District, Tennessee

We have audited the accompanying financial statements of the business-type activity of the Warren County Emergency Communication District, as of and for the year ended June 30, 2011, 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 opinions 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, 2011, 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 respective financial position of the business-type activity of the Warren County Emergency Communication District as of June 30, 2011, 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 December 15, 2011, on our consideration of the Warren County Emergency Communication 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.

Management's discussion and the schedule of funding progress on pages iv through x and page 13 are not a required part of the basic financial but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

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

*Denning & Cartrell*  
Certified Public Accountants

McMinnville, Tennessee  
December 15, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Warren County Emergency Communications District's financial report presents an analysis on the District's financial condition for the year ended June 30<sup>th</sup> 2011 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 \$1,679,142 and exceeded liabilities (net assets) by \$1,004,021. Of the total net assets, \$379,359 was classified as unrestricted. Total assets decreased in 2011 by \$113,470 and total net assets decreased \$22,037.

The District's total operating revenues were \$650,603, an increase of \$22,481 from the previous year. The District's Emergency Telephone Service Charge revenue increased from \$351,462 in 2010 to \$383,386 in 2011, a difference of \$31,924. This increase is a result of 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. This increase in the residential landline 911 surcharge, it is estimated, will reflect growth in landline revenue for a period of three years as the decreasing trend in landline subscribers continues. The Tennessee Emergency Communications Board Shared Wireless distribution for the year ending June 30<sup>th</sup>, 2011 was \$100,064 a decrease of \$65,105. The Tennessee Emergency Communications Board's Operational Funding distribution was \$167,153. 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. Data indicates, after years of explosive growth, a leveling in the number of new wireless (cellular) subscribers.

Operating expenses increased over 2010 by \$62,499. This increase was due to an increase of dispatch systems maintenance contracts and employee overtime. It is anticipated that overtime will continue to be an issue through the second quarter of fiscal year 2011-2012. As of June 30<sup>th</sup> 2011, the District is in negotiations to reduce the cost of yearly maintenance contracts. Presently, the District maintains maintenance contracts on two systems, the Computer Aided Dispatching system and the 911 telephone system. The District is exploring the option of amending these maintenance contracts to include computer server hardware only as the software associated with these systems is and has been stable for over five years. On average, a maintenance contract for such systems is between 8 and 10% of the acquisition cost annually.

Interest income was \$5176.00 in 2011 and was a result of the District's investment in a certificate of deposit at Homeland Community Bank in McMinnville, Tennessee. Rental income from tower lease agreements with Verizon Wireless and DTC Wireless remained steady at \$21,342 in 2011.

Throughout fiscal year ending June 30<sup>th</sup> 2011 the District received funding from the State of Tennessee Operational Funding program and the Dispatcher Training reimbursement program to assist in the training and continued education of District employees. The District provides both

online training opportunities and a three-month on-site training program for new employees. Each employee of the District completes EMD, CPR, and specialized training every two years. Additionally, certain personnel are required to attend quarterly training hosted by the Tennessee Bureau of Investigation. Budget permitting, key employees attend training in areas such as 911 Management, 911 Liabilities, as well as suicide intervention coursework.

### **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<sup>nd</sup>, 2008. This note has a maturity date of August 22<sup>nd</sup>, 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<sup>th</sup>, 2011 was \$642,505.

### **GENERAL TRENDS AND SIGNIFICANT EVENTS**

The Warren County Emergency Communications District's Emergency Telephone (wireline) Service Charge revenue increased by \$31,924 over last fiscal year. As previously discussed, this is the primary result of an increase in the landline Emergency Telephone Service charge as approved by the Tennessee Emergency Communications Board. It is worth noting that this increase will be temporary and as the overall trend in the number of landline subscribers continues downward, the landline revenues will follow. It is the position of the Warren County Emergency Communications District that an overhaul of both the landline and wireless rate structure is overdue. If changes are not made in the coming years, city and county governments will be forced to make up the difference in the form of property tax allocations. Local government (City and County) allocate a total of \$260,000 to the District. It is estimated that there are in excess of 8,000,000 cell phones within the state of Tennessee. The growth of wireless (cellular) subscribers has leveled after years of exponential growth. Warren County as well as other Districts have and will continue to request legislation to accomplish a realistic and equitable rate structure for Tennessee's 911 Districts.

In the fiscal year ending June 30<sup>th</sup>, 2011, the Tennessee Emergency Communications Board began reimbursing Districts for the purchase of "Next Generation 911" capable telephone systems. The Next Generation systems are designed to accommodate text messages, pictures, and video sent to 911 from wireless devices and will utilize a statewide network for routing 911 calls and multimedia. As of this report, the network had not been routed and implemented at the District however the process has begun to standardize each District's mapping data so that it may be shared between 911 Centers via the network. The timetable for the completion and submission of the standardized mapping data is summer of 2012. While the reimbursement or grant program for the purchase of Next Generation equipment is attractive, Districts must still budget for maintenance contracts and depreciation. It is the opinion of the Board of Directors that caution must be exercised in obtaining new equipment, even if grant-based, so that the financial health of the District can be protected. The District is exploring options related to the

purchase of this equipment.

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 2010-2011 the District received \$167,153 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<sup>th</sup> 2011, the District had \$1,960,406 invested in capital assets, representing a net increase of \$11,929 from last year. This increase was a result of the purchase and installation of a repeater for use in communicating with the McMinnville Police and Fire Departments. This repeater system is narrow-band compliant and will meet the FCC requirements for narrow-banding by 2013.

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% represents the District's 911 Communications Center, land and paving. Communications equipment represents 37.5% with the remaining 3.5% comprised of furniture, fixtures and the District's vehicle.

### **BUDGETARY ANALYSIS**

For the fiscal year 2010-2011, total expenses were 2.8% greater than budget. Total income was as budgeted.

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

June 30<sup>th</sup>, 2010 and June 30<sup>th</sup>, 2011

	<u>2010</u>	<u>2011</u>	Variance <u>Amount</u>
<b>Operating Revenues</b>			
Emergency telephone service charges	351,462	383,386	31,924
ECB Shared Wireless	165,169	100,064	(65,105)
ECB Operational Funding	<u>111,490</u>	<u>167,153</u>	<u>55,663</u>
<b><u>Total Operating Revenues</u></b>	<b><u>628,122</u></b>	<b><u>650,603</u></b>	<b><u>22,481</u></b>
<b>Operating Expenses</b>			
Salaries and Wages	492,545	511,058	18,513
Employee Benefits	97,369	96,423	(946)
Contracted Services	110,870	133,026	22,156
Supplies and Materials	51,312	67,092	15,780
Other Charges	31,565	35,529	3,964
Depreciation	114,330	116,497	2167
Amortization	<u>1,740</u>	<u>2,605</u>	<u>865</u>
<b><u>Total Operating Expenses</u></b>	<b><u>899,731</u></b>	<b><u>962,230</u></b>	<b><u>62,499</u></b>
<b>Operating Income (loss)</b>	<b><u>(271,609)</u></b>	<b><u>(311,627)</u></b>	<b><u>40,018</u></b>
<b>Nonoperating Revenues</b>	63,215	62,149	(1,066)
Contributions to Capital			
Contributions from Primary Government	<u>260,000</u>	<u>260,000</u>	<u>0</u>
<b>Total Nonoperating Revenues</b>	<b><u>323,215</u></b>	<b><u>322,149</u></b>	<b><u>(1,066)</u></b>
<b>Nonoperating Expense</b>			
Interest Expense	35,027	32,559	(2,468)
<b>Increase in net assets</b>	<b><u>16,579</u></b>	<b><u>(22,037)</u></b>	<b><u>(38,616)</u></b>

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**CONDENSED COMPARATIVE STATEMENTS OF NET ASSETS**

June 30<sup>th</sup>, 2010 and June 30<sup>th</sup>, 2011

	<u>2010</u>	<u>2011</u>	<u>Variance</u> <u>Amount</u>
<b><u>ASSETS</u></b>			
<b>Current Assets:</b>			
<b>Cash</b>			
Unrestricted	327,272	317,998	(9,274)
Restricted			
Receivable	31,195	31,377	182
Due TECB	<u>44,296</u>	<u>44,459</u>	163
<b><u>Total Current Assets</u></b>	<b><u>402,963</u></b>	<b><u>393,834</u></b>	<b>(8,929)</b>
<b>Property and Equipment:</b>			
Land	14,085	14,085	0
Paving	9,883	9,883	0
Building	1,131,739	1,131,739	0
Communications Equipment	750,539	762,468	11,929
Office Furniture and Fixtures	19,516	19,516	0
Vehicles	22,715	22,715	0
	1,948,477	1,960,406	11,929
	<u>576,741</u>	<u>693,239</u>	116,498
<b>Less Accum Deprec</b>			
	<u>1,371,736</u>	<u>1,267,167</u>	(104,569)
<b><u>Other Asset</u></b>			
Mapping Costs (less accumulated amortization)	<u>17,913</u>	<u>18,141</u>	<u>228</u>
<b><u>Total Assets</u></b>	<b><u>1,792,612</u></b>	<b><u>1,679,142</u></b>	<b>(113,470)</b>
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities:</b>			
Note Payable	20,000	0	(20,000)
Accounts payable	0	4,480	4,480
Accrued Interest payable	336	692	(356)
Accrued payroll	13,481	13,460	(21)
Accrued vacation payable	15,263	13,984	(1279)
Current portion of long term debt	75,009	77,665	2,656
<b>Total Current Liabilities</b>	<b>124,089</b>	<b>110,281</b>	<b>(13,808)</b>
<b><u>Long Term Debt</u></b>			
Note Payable (less amount due in 1	642,465	564,840	(77,625)

yr)

<b>Net Assets</b>			
Invested in capital assets	654,262	624,662	(29,600)
Unrestricted net assets	<u>371,796</u>	<u>379,359</u>	7,563
<b><u>Total Net Assets</u></b>	<b><u>1,026,058</u></b>	<b><u>1,004,021</u></b>	<b>(22,037)</b>

## 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<sup>th</sup>, 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. 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. As stated previously in this and prior reports, when consumers drop traditional landline telephone service for wireless (cellular) service, Tennessee's Emergency Communications Districts share of the surcharge is reduced from \$1.50 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, 2011

<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$	117,998
Certificate of deposit		200,000
Interest receivable		1,375
Accounts receivable		30,002
Due from Tennessee Emergency Communications Board		<u>44,459</u>
TOTAL CURRENT ASSETS		393,834
 <u>PROPERTY AND EQUIPMENT</u>		
Land	\$	14,085
Paving		9,883
Building		1,131,739
Communications equipment		762,468
Office furniture and fixtures		19,516
Vehicles		<u>22,715</u>
		1,960,406
Less accumulated depreciation		<u>693,239</u>
		1,267,167
 <u>OTHER ASSET</u>		
Mapping costs (less accumulated amortization of \$ 214,786)		<u>18,141</u>
TOTAL ASSETS		<u>1,679,142</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable		4,480
Accrued payroll		13,460
Accrued interest payable		692
Accrued vacation payable		13,984
Current portion of long term debt		<u>77,665</u>
TOTAL CURRENT LIABILITIES		110,281
 <u>LONG TERM DEBT</u>		
Note payable	642,505	
Less amount due in one year	<u>77,665</u>	<u>564,840</u>
TOTAL LIABILITIES		675,121
 <u>NET ASSETS</u>		
Invested in capital assets, net of related debt		624,662
Unrestricted net assets		<u>379,359</u>
TOTAL NET ASSETS	\$	<u>1,004,021</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, 2011

<b>Operating revenues:</b>		
Emergency telephone service charges	\$	383,386
Tennessee Emergency Communications Board - Shared Wireless Charge		100,064
Tennessee Emergency Communications Board - Operational Funding		<u>167,153</u>
		650,603
<b>Operating expenses:</b>		
Salaries and wages	\$	511,058
Employee benefits		96,423
Contracted services		133,026
Supplies and materials		67,092
Other charges		35,529
Depreciation		116,497
Amortization		<u>2,605</u>
		<u>962,230</u>
	<b>Operating income (loss)</b>	<b>(311,627)</b>
<b>Nonoperating revenues (expenses):</b>		
Interest income		5,176
Rental income		21,342
Contributions from primary government		130,000
Contributions from City of McMinnville		130,000
TECB - grants and reimbursements		34,000
Contracted services		1,631
Interest expense		<u>(32,559)</u>
		<u>289,590</u>
	<b>Increase in net assets</b>	<b>(22,037)</b>
<b>Net assets at July 1, 2010</b>		<u><b>1,026,058</b></u>
<b>Net assets at June 30, 2011</b>	<b>\$</b>	<u><u><b>1,004,021</b></u></u>

Depreciation of property, plant and equipment was computed by the straight line method and amounted to \$ 116,497

Interest incurred during the year amounted to \$ 32,559. None of this amount was capitalized.

See Independent Auditors' Report and Notes to Financial Statements.

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**STATEMENT OF CASH FLOWS**

Year ended June 30, 2011

<b>Cash flows from operating activities:</b>	
Cash received from Surchargers and Other Revenues	\$ 648,933
Cash received from tower rental	21,342
Cash paid to suppliers of goods and services	(328,890)
Cash paid to employees for services	<u>(511,058)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(169,673)</b>
 <b>Cash flows from non-capital financing activities -</b>	
Transfers from primary government	130,000
Transfers from the City of McMinnville	130,000
Grants and reimbursements from TECB	34,000
Contracted services	1,631
Additional mapping costs	<u>(2,832)</u>
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>292,799</b>
 <b>Cash flows from capital and related financing activities:</b>	
Purchase of building and equipment	\$ (11,929)
Payments on notes payable	(94,969)
Interest paid on notes payable	<u>(32,203)</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(139,101)</b>
 <b>Cash flows from investing activities -</b>	
Redemption of certificates of deposit	108,700
Investment income	<u>6,701</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>115,401</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>99,426</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>18,572</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u><u>117,998</u></u></b>
 <b>Reconciliation of operating income to cash flows from operating activities</b>	
Operating loss	\$ (311,627)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>	
Depreciation and amortization	119,102
Tower rental	21,342
Decrease(Increase) in operating assets:	
Accounts receivable	(1,670)
Increase(Decrease) in operating liabilities:	
Accounts payable	4,480
Accrued expenses	<u>(1,300)</u>
<b>TOTAL ADJUSTMENTS</b>	<b><u>141,954</u></b>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ <u><u>(169,673)</u></u></b>

See Independent Auditors' Report and Notes to Financial Statements.

# WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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### Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Warren County Emergency Communications District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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, 2011**

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**Use of Estimates**

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

**Capitalized Interest**

Interest is capitalized in connection with the construction of major facilities. The construction period interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life.

**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 \$ 337,881 with carrying amount of \$ 317,798. Of this amount, \$200,000 was invested in a certificate of deposit which bears interest at 1.6% annually. The District also had \$200 in petty cash.

**Note D - The amount of advertising cost expensed for the year was \$ 134.**

See Independent Auditors' Report.

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

**Note E - 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, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2011</u>
<b>Assets not being depreciated:</b>				
Land	\$ 14,085			\$ 14,085
<b>Assets being depreciated:</b>				
Paving	9,883			9,883
Building	1,131,739			1,131,739
Communications equipment	750,539	11,929		762,468
Office furniture & fixtures	19,516			19,516
Vehicles	22,715			22,715
	<u>1,948,477</u>	<u>11,929</u>	<u>0</u>	<u>1,960,406</u>
<b><u>Accumulated Depreciation</u></b>				
Paving	9,884			9,884
Building	112,659	30,219		142,878
Communications equipment	423,799	80,720		504,519
Office furniture & fixtures	14,878	1,015		15,893
Vehicles	15,522	4,543		20,065
	<u>576,742</u>	<u>116,497</u>	<u>0</u>	<u>693,239</u>
	<u>\$ 1,371,735</u>	<u>\$ (104,568)</u>	<u>\$ -</u>	<u>\$ 1,267,167</u>

**Note F - 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 \$ 2,605.

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

**Note G - 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, 2010	\$	20,000
Payments		<u>(20,000)</u>
Balance at June 30, 2011	\$	<u><u>0</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, 2011 was \$ 642,505.

Balance at July 1, 2010	\$	717,474
Payments		<u>(74,969)</u>
Balance at June 30, 2011	\$	<u><u>642,505</u></u>

The note payable matures as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2017-2019	<u>216,538</u>	<u>11,100</u>	<u>227,638</u>
<b>Total</b>	<b>\$ 642,505</b>	<b>\$ 110,448</b>	<b>\$ 752,953</b>

**Note H - EMPLOYEE PENSION**

**Plan Description**

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

See Independent Auditors' Report.

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

**Note H - EMPLOYEE PENSION - continued**

**Plan Description - continued**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/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, 2011 was 1.3% 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, 2011, Warren County E-911's annual pension cost of \$4,605 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, 2009 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 3.0 percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 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 ten-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, 2009 was 6 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

<b><u>Fiscal Year Ending</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
June 30, 2011	\$ 4,605	100.00%	\$ 0
June 30, 2010	\$ 5,459	100.00%	\$ 0
June 30, 2009	\$ 5,412	100.00%	\$ 0

See Independent Auditors' Report.

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

**Note H - 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 \$ .2 million, and the actuarial value of assets was \$ .3 million, resulting in an unfunded actuarial accrued liability (UAAL) of (\$ .1) million. The covered payroll (annual payroll of active employees covered by the plan) was \$ 0.3 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 I - 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 J - 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 K - EXPENDITURES IN EXCESS OF APPROPRIATIONS**

The District's salaries and wages exceeded appropriations by \$ 11,599, employee benefits exceeded appropriations by \$752, contracted services exceeded appropriations by \$ 30,313, and supplies and materials exceeded appropriations by \$11,469.

See Independent Auditors' Report.

**REQUIRED SUPPLEMENTARY INFORMATION**

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

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

June 30, 2011

(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.

See Independent Auditors' Report.

**OTHER SUPPLEMENTARY INFORMATION**

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**STATEMENT OF BUDGETARY COMPARISON**

Year ended June 30, 2011

	Budget		Actual
	Original	Final	
<b><u>Operating revenues</u></b>			
Emergency telephone service charges:			
Ben Lomand	\$ 309,462	\$ 320,000	\$ 343,919
Citizens Telecom	54,000	54,000	38,228
Other user fees	1,310	1,310	1,239
TECB - shared wireless charge	105,000	165,000	100,064
TECB - operational funding	104,000	111,490	167,153
<b>Total operating revenues</b>	<b>573,772</b>	<b>651,800</b>	<b>650,603</b>
<b><u>Operating expenses</u></b>			
Salaries and wages:			
Director	52,000	52,000	53,442
Administrative personnel	46,400	49,054	52,541
Dispatchers	362,000	356,405	351,094
Overtime pay	12,500	42,000	53,981
<b>Total salaries and wages</b>	<b>472,900</b>	<b>499,459</b>	<b>511,058</b>
Employee benefits:			
Social security	36,176	34,000	31,555
Medicare		7,154	7,426
Unemployment compensation	1,500	517	1,726
Medical insurance	44,000	48,000	50,854
Retirement contributions	7,000	6,000	4,862
<b>Total employee benefits</b>	<b>88,676</b>	<b>95,671</b>	<b>96,423</b>
Contracted services:			
Addressing and mapping expenses	34,800	26,550	36,350
Advertising		200	134
Audit services	1,750	2,000	2,200
Administrative fees		181	
Fiscal agent charges		9,791	11,601
Financial advisory services		5,230	
Janitorial services		3,714	3,640
Legal services	7,600	5,500	7,700
Radio maintenance		2,480	2,933
Office equipment maintenance		240	49
Ben Lomand maintenance		5,213	6,790
Citizens maintenance		2,100	2,106
Computer mapping maintenance	19,000	19,000	35,706
Dekalb Cooperative maintenance		500	
NCIC/TBI/TIES expenses	8,000	4,500	11,754
Pest control		240	233
Tower rental			990
Ben Lomand equipment lease		4,274	4,663

See Independent Auditors' Report.

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

Year ended June 30, 2011

	Budget		Actual
	Original	Final	
<b>Operating expenses - cont.</b>			
<b>Contracted services:</b>			
<b>Maintenance and repairs:</b>			
communication equipment	8,252	3,000	340
building		4,100	1,720
office equipment		600	420
vehicle		400	560
Generator maintenance		900	1,207
Yard maintenance		2,000	1,930
<b>Total contracted services</b>	<b>79,402</b>	<b>102,713</b>	<b>133,026</b>
<b>Supplies and materials:</b>			
Office supplies	7,075	4,463	3,934
Custodial supplies		1,545	1,341
Postage		290	240
Small equipment purchases		1,000	4,479
Utilities - electric	36,000	15,000	16,821
Utilities - gas		900	918
Utilities - water and sewer		400	576
Utilities - telephone		30,000	36,464
Utilities - cell phone and pagers		2,025	2,319
<b>Total supplies and materials</b>	<b>43,075</b>	<b>55,623</b>	<b>67,092</b>
<b>Other charges:</b>			
Bank charges		300	332
Dues and memberships	763	760	
Employee testing and exams		1,000	1,275
Insurance - workers compensation	2,700	1,900	2,114
Insurance - building and contents	9,000	12,200	9,946
Insurance - vehicles		1,227	1,293
License and fees		100	54
Premiums on surety bonds	1,200	1,200	1,152
Public education		650	488
Service awards		2,400	883
EMD training	15,000	4,000	3,567
Other training		5,000	4,863
Travel	4,500	5,300	5,858
Board travel expense		2,300	2,796
Miscellaneous		9,280	908
<b>Total other charges</b>	<b>33,163</b>	<b>47,617</b>	<b>35,529</b>
<b>Depreciation</b>	<b>62,000</b>	<b>137,000</b>	<b>116,497</b>
<b>Amortization</b>			<b>2,605</b>
<b>Total operating expenses</b>	<b>779,216</b>	<b>938,083</b>	<b>962,230</b>
<b>Operating income (loss)</b>	<b>(205,444)</b>	<b>(286,283)</b>	<b>(311,627)</b>

See Independent Auditors' Report.

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**BUDGETARY COMPARISON SCHEDULE**

Year ended June 30, 2011

	Budget		Actual
	Original	Final	
<b>Nonoperating revenues (expenses):</b>			
Interest income		8,000	5,176
Rental income	26,000	22,000	21,342
Miscellaneous			1,631
<b>Contributions from primary government -</b>			
County appropriations	130,000	130,000	130,000
Contributions from City of McMinnville	130,000	130,000	130,000
Contributions from other government			
TECB grants and reimbursements	17,000	34,000	34,000
Interest expense		(37,717)	(32,559)
	<u>303,000</u>	<u>286,283</u>	<u>289,590</u>
<b>Total nonoperating revenues (expenses)</b>	<b>303,000</b>	<b>286,283</b>	<b>289,590</b>
<b>Net increase (decrease) in net assets</b>	<b>\$ <u>97,556</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>(22,037)</u></b>

See Independent Auditors' Report.

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**OTHER INFORMATION**

**June 30, 2011**

The District had the following insurance in force at June 30, 2011:

<u>Type of Coverage</u>	<u>Expiration Date</u>	<u>Limit of Liability</u>
<b>Commercial property:</b>	<b>August 27, 2011</b>	
Real property		\$ 1,212,221
Personal property		468,168
Repeaters		59,205
Business income		12 months actual loss
Money & securities		10,000
Software		250,000
<b>General liability</b>	<b>August 27, 2011</b>	
General aggregate		3,000,000
Personal injury and advertising injury		1,000,000
Medical expense		5,000
<b>Commercial umbrella liability</b>	<b>August 27, 2011</b>	
		1,000,000 per occurrence
		3,000,000 aggregate
<b>Management liability</b>	<b>August 27, 2011</b>	
		1,000,000 per occurrence
		3,000,000 aggregate
		25,000 injunctive relief
<b>Automotive liability</b>	<b>August 27, 2011</b>	
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
<b>Workman's compensation</b>	<b>September 24, 2011</b>	<b>Statutory limits</b>

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF LONG TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS

June 30, 2011

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<u>Year ending June 30,</u>	<u>First National Bank</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	17,452	60	17,512
	<u>\$ 642,505</u>	<u>\$ 110,448</u>	<u>\$ 752,953</u>

See Independent Auditors' Report.

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

June 30, 2011

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

See Independent Auditors' Report.

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

Year ended June 30, 2011

	CFDA #	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
<b><u>State Financial Assistance</u></b>						
Tennessee Emergency Communications Board - GIS grant 2011	N/A	Z03016957		\$ 34,000	\$ 34,000	
<b>The above is not a major federal program.</b>						
<b>Total State Awards</b>			<b>\$ -</b>	<b>\$ 34,000</b>	<b>\$ 34,000</b>	<b>\$ -</b>

See Independent Auditors' Report.

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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, Tennessee

We have audited the financial statements of Warren County Emergency Communication District, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 15, 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 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

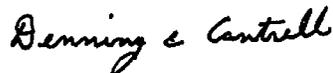
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified one deficiency in internal control over financial reporting, described in the accompanying *schedule of findings and responses* as item 11-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a 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 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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Warren County Emergency Communication District's response to the findings identified in our audit are described in the accompanying *schedule of findings and responses*. We did not audit Warren County Emergency Communication District's response and, accordingly, we express no opinion on it.

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

  
Certified Public Accountants

McMinnville, Tennessee  
December 15, 2011

**WARREN COUNTY EMERGENCY COMMUNICATION DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES**

Year Ending June 30, 2011

11-1 Finding -	Internal Control
Condition and Criteria -	The District does not have the proper segregation of duties for an effective system of internal control.
Cause -	The District is a very small entity with limited resources which only has a part-time accountant.
Effect -	The lack of an adequate internal control system subjects the District to the possibility of fraud or misappropriation of assets being committed.
Recommendation -	The District should mitigate its exposure by having increased oversight by the Board such as examining bank reconciliations, closely monitoring budgets, etc.
Management's Response -	"We will increase the oversight performed by the Board."