

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

ANNUAL FINANCIAL REPORT

Year ended June 30, 2012

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WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

LIST OF OFFICIALS

June 30, 2012

Members of the Board of Directors at June 30, 2012 are:

<u>Name</u>	<u>Term Expires</u>	<u>Office</u>
Mark Gribble	October 22, 2014	Chairman
Frank Rice	October 22, 2013	Vice-Chairman
Judy Kelsey	October 22, 2013	Secretary
Gary George	November 22, 2013	Treasurer
Jerry Womack	October 22, 2014	Director
John Pelham		Ex Officio
Norman Rone		Ex Officio
Rick Barnes		Ex Officio
Teddy Boyd		Ex Officio

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Members of AICPA & TSCPA
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Warren County Emergency Communication District

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, 2012, 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 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 opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activity, of Warren County Emergency Communication District, as June 30, 2012, 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 State of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress on pages iv through xi and page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 measurement 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 of 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 opinions on the financial statements that collectively comprise the Warren County Emergency Communication District's financial statements. The other supplementary information on pages 15-20 and schedule of expenditures of state financial assistance on page 21 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information on pages 15-20 and the schedule of expenditures of state financial assistance on page 21 are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

Denning & Cantrell
Certified Public Accountants

McMinnville, Tennessee
December 21, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Warren County Emergency Communications District's financial report presents an analysis on the District's financial condition for the year ended June 30th 2012 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 \$1,734,303 and exceeded liabilities (net assets) by \$1,123,522. Of the total net assets, \$484,680 was classified as unrestricted. Total assets increased in 2012 by \$55,161 and total net assets increased \$119,501..

The District's total operating revenues were \$628,682, a decrease of \$21,921 from the previous year. The District's Emergency Telephone Service Charge revenue decreased from \$383,386 in 2011 to \$368,767 in 2012, a difference of \$14,619. This decrease is trend felt nationwide as telephone service customers replace traditional landline telephones with wireless telephone devices (cellular phones) and Voip (Voice Over Internet Protocol) services such as "Vonnage". The Tennessee Emergency Communications Board Shared Wireless distribution for the year ending June 30th, 2012 was \$64,873. The Tennessee Emergency Communications Board's Operational Funding distribution was \$195,042. 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. The District received \$214,523 in grants and reimbursements during the fiscal year ending June 30th, 2012. The grants and reimbursements include funding for the purchase, installation, and implementation of an IP911 system which will enable the District to be "Next Generation 911" (NexGen911) compliant and capable. The District also received funding for training expenses and reimbursements for the "TIPS" (Tennessee Information for Public Safety) compliance project. The "TIPS" program creates mapping data, the attributes of which are common and consistent statewide. The IP911 system will allow 911 Centers to accept traditional landline and wireless calls and when implemented, texts, photos, and video.

The District requested allocations from city and county government in the amount of \$260,000 which was split evenly among the city and county (\$130,000 each) and distributed quarterly upon request. As of this report, the District requested an increase of \$10,000 from city and county government. The request for additional funding for the next fiscal year was approved by both city and county government. Traditionally, city and county government have been very supportive of the District's operation.

Operating expenses increased over 2011 by \$8,062. This increase represents less than a 1% increase in operating expenses for 2012 as compared to 2011. The District's challenge in the future will be to accommodate the increasing demand for 911 services while managing associated expenses. The District estimates that the combination of increased transactions resulting from additional wireless 911 trunks along with the ability to text message 911 will increase Telecommunicator workload by 15 to 20%. In short, the demand for 911 services is growing faster than the revenue sources 911 Centers depend upon to operate.

Interest income was \$4,152 in 2012 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 was \$9,750 in 2012.

Throughout fiscal year ending June 30th 2012 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 22nd, 2008. This note has a maturity date of August 22nd, 2018 with an interest rate of 4.5%. The note is secured on revenues of the District. The balance of this note as of June 30th, 2012 was \$564,952.

GENERAL TRENDS AND SIGNIFICANT EVENTS

The Warren County Emergency Communications District's Emergency Telephone (wireline) Service Charge revenue decreased \$14,619 from last fiscal year. As noted in previous reports, the District requested an increase in the 911 surcharge in 2009. This increase was approved by the Tennessee Emergency Communications Board and increased the 911 residential surcharge from \$1.00 per pathway to 911 to \$1.50 per pathway to 911. As a result, the District recognized a temporary increase in the Emergency Telephone Service Charge in previous reports. However, the continued migration of telephone service subscribers from wireline to wireless has and will continue to outpace the gains recognized by the Districts present wireline rate schedule.

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) allocated a total of \$260,000 to the District in 2012. The amount allocated to the District in fiscal year 2013 will be \$280,000. When telephone service subscribers make the change from wireline to wireless, the net financial result on the District is significant. Wireless telephone subscribers pay an Emergency Telephone Service Charge of \$1.00. Of this \$1.00, the District receives .25 cents on the dollar. Given that nearly 80% of all 911 calls come from wireless (cell phones) devices, and that the District's major capital purchases over the last several years have occurred for the purpose of locating calls to 911 from cell phones, it is now time for a complete overhaul of the wireless and wireline rate structure by the Tennessee Emergency Communications Board.

In the fiscal year ending June 30th, 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 District has applied for and received funding from the State for the purchase of a Next Generation 911 capable telephone system. The District will be replacing the present 911 system, the TCI Invision system, TelControl Inc. of Huntsville, Alabama, with the IP911, Inter911 system from Emergitech, Inc. Columbus, Ohio. The Inter911 IP911 system is Next Generation compliant and capable and is designed to work in tandem with the District's current Computer Aided Dispatching and digital mapping systems. 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. Depreciation must continue to be monitored closely and attention must be given to the impact of new systems on the District's financial condition.

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 2011-2012 the District received \$195,042 in operational funding from the Tennessee Emergency Communications Board. This distributed to the District via Automated Clearing House (ACH) and deposits directly into the District's bank account.

CAPITAL ASSETS

Capital assets include the District's major capital assets, the Warren County 911 Center located at 902 Bridge Builders Road in McMinnville and associated repeater sites throughout the county, the District's telephone, radio communications equipment, computer aided dispatching and mapping systems, and associated office furniture and fixtures.

As of June 30th, 2012, the District had \$2,010,159 invested in capital assets, representing a net increase of \$49,753 from last year. This increase was a result of the purchase of the Emergitech, Inter911 IP911 telephone system. This system is being installed as of this report and is fully compliant with State of Tennessee system requirements for Next Generation 911 operability.

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, 56% represents the District's 911 Communications Center, land and paving. Communications equipment represents 41% with the remaining 3% comprised of furniture, fixtures and the District's vehicle.

BUDGETARY ANALYSIS

For the fiscal year 2010-2011, total expenses were 2.0% greater than budget. Total income was 3% less than budgeted.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES

June 30th, 2010 and June 30th, 2011

	<u>2012</u>	<u>2011</u>	Variance <u>Amount</u>
Operating Revenues			
Emergency telephone service charges	368,767	383,386	(14,619)
ECB Shared Wireless	64,873	100,064	(35,191)
Sales-mapping		0	0
ECB Operational Funding	<u>195,042</u>	<u>167,153</u>	<u>27,889</u>
Total Operating Revenues	<u>628,682</u>	<u>650,603</u>	<u>(21,921)</u>
Operating Expenses			
Salaries and Wages	548,199	511,058	37,141
Employee Benefits	104,066	96,423	7,643
Contracted Services	116,066	133,026	(16,960)
Supplies and Materials	56,557	67,092	(10,535)
Other Charges	29,070	35,529	(6,459)
Depreciation	113,126	116,497	(3,371)
Amortization	<u>3,209</u>	<u>2,605</u>	<u>604</u>
Total Operating Expenses	<u>970,292</u>	<u>962,230</u>	<u>8,062</u>
Operating Income (loss)	<u>(341,610)</u>	<u>(311,627)</u>	<u>29,983</u>
Nonoperating Revenues	228,625	62,149	166,476
Contributions to Capital			

Contributions from Primary Government	<u>260,000</u>	<u>260,000</u>	<u>0</u>
Total Nonoperating Revenues	<u>488,625</u>	<u>322,149</u>	<u>166,476</u>
Nonoperating Expense			
Interest Expense	27,514	32,559	(5,045)
Increase in net assets	<u>119,501</u>	<u>(22,037)</u>	<u>97,464</u>

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
CONDENSED COMPARATIVE STATEMENTS OF NET ASSETS
June 30th, 2010 and June 30th, 2011

	<u>2012</u>	<u>2011</u>	<u>Variance Amount</u>
<u>ASSETS</u>			
Current Assets:			
Cash			
Unrestricted	430,557	317,998	112,559
Restricted			
Receivable	31,608	31,377	231
Due TECB	<u>53,412</u>	<u>44,459</u>	8,953
Total Current Assets	<u>515,328</u>	<u>393,834</u>	121,494
Property and Equipment:			
Land	14,085	14,085	0
Paving	9,883	9,883	0
Building	1,131,739	1,131,739	0
Communications Equipment	812,221	762,468	49,753
Office Furniture and Fixtures	19,516	19,516	0
Vehicles	22,715	22,715	0
	2,010,159	1,960,406	49,753
	<u>806,365</u>	<u>693,239</u>	113,126
Less Accum Deprec			
	<u>1,203,794</u>	<u>1,267,167</u>	(63,373)
<u>Other Asset</u>			
Mapping Costs (less accumulated amortization)	<u>14,932</u>	<u>18,141</u>	<u>(3209)</u>

<u>Total Assets</u>	<u>1,734,303</u>	<u>1,679,142</u>	<u>55,161</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Note Payable	0	0	0
Accounts payable	10,372	4,480	5,892
Accrued Interest payable	597	692	(85)
Accrued payroll	15,896	13,460	2,436
Accrued vacation payable	15,263	13,984	1,279
Current portion of long term debt	81,307	77,665	3642
Accrued retirement	<u>0</u>	<u>0</u>	<u>(0)</u>
Total Current Liabilities	126,136	110,281	15,855
<u>Long Term Debt</u>			
Note Payable (less amount due in 1 yr)	483,645	564,840	(81,195)
Net Assets			
Invested in capital assets	638,842	624,662	14,180
Unrestricted net assets	<u>484,680</u>	<u>379,359</u>	105,321
<u>Total Net Assets</u>	<u>1,123,522</u>	<u>1,004,021</u>	119,501

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

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

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

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

or depreciation of capital assets.

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

SUMMARY OF ORGANIZATION AND BUSINESS

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

The Warren County Emergency Communications District's Board of Directors is made up of nine members appointed by the Warren County Commission. Per the District's Intergovernmental Agreement of 2003, the Board of Directors is comprised of the City Mayor and appointee from the City Board of Aldermen, the County Mayor and appointee from the Warren County Commission and five citizens of Warren County. The Warren County Emergency Communications District's revenues are derived by Emergency Telephone Service charges collected monthly from telephone service subscribers in Warren County and from the Tennessee Emergency Communications Board's wireless collection and distribution program.

FINANCIAL CONDITION

The Warren County Emergency Communications District remains on solid financial footing. However, the future of landline telephone revenue presents a considerable challenge for all of Tennessee's Emergency Communications Districts. Warren County 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. In 2012, The Tennessee Emergency Communications Board made available an additional \$300,000 for the purpose of obtaining additional communications equipment compatible with Next Generation 911 network connectivity. Along with the previous funding available from the State of Tennessee, the Warren County Emergency Communications District has a total of \$342,000

available for the purchase and upgrade of the District's call handling systems. This funding is available upon request by the District and can be utilized for pre-purchase funding or reimbursement for qualifying system purchases. As of this report, the District has requested and obtained \$161,000 for the purchase and installation of a Next Generation 911 capable and compliant IP911 system from Emergitech, Inc. Columbus, Ohio.

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, 2012

<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash		\$ 226,957
Certificate of deposit		203,600
Interest receivable		1,397
Accounts receivable		30,211
Due from Tennessee Emergency Communications Board		<u>53,412</u>
	TOTAL CURRENT ASSETS	515,577
 <u>PROPERTY AND EQUIPMENT</u>		
Land	\$ 14,085	
Paving	9,883	
Building	1,131,739	
Communications equipment	812,221	
Office furniture and fixtures	19,516	
Vehicles	<u>22,715</u>	
	2,010,159	
Less accumulated depreciation	<u>806,365</u>	1,203,794
 <u>OTHER ASSET</u>		
Mapping costs (less accumulated amortization of \$ 217,995)		<u>14,932</u>
	TOTAL ASSETS	<u>1,734,303</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable		10,732
Accrued payroll		15,896
Accrued interest payable		597
Accrued vacation payable		18,604
Current portion of long term debt		<u>81,307</u>
	TOTAL CURRENT LIABILITIES	127,136
 <u>LONG TERM DEBT</u>		
Note payable	564,952	
Less amount due in one year	<u>81,307</u>	<u>483,645</u>
	TOTAL LIABILITIES	610,781
 <u>NET ASSETS</u>		
Invested in capital assets, net of related debt		638,842
Unrestricted net assets		<u>484,680</u>
	TOTAL NET ASSETS	\$ <u><u>1,123,522</u></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, 2012

Operating revenues:		
Emergency telephone service charges	\$	368,767
Tennessee Emergency Communications Board - Shared Wireless Charge		64,873
Tennessee Emergency Communications Board - Operational Funding		<u>195,042</u>
		628,682
Operating expenses:		
Salaries and wages	\$	548,199
Employee benefits		104,065
Contracted services		116,066
Supplies and materials		56,557
Other charges		29,070
Depreciation		113,126
Amortization		<u>3,209</u>
		<u>970,292</u>
	Operating income (loss)	(341,610)
Nonoperating revenues (expenses):		
Interest income		4,152
Rental income		9,750
Contributions from primary government		130,000
Contributions from City of McMinnville		130,000
TECB - grants and reimbursements		214,523
Miscellaneous income		200
Interest expense		<u>(27,514)</u>
		<u>461,111</u>
	Increase in net assets	119,501
Net assets at July 1, 2011		<u>1,004,021</u>
Net assets at June 30, 2012	\$	<u><u>1,123,522</u></u>

Depreciation of property, plant and equipment was computed by the straight line method and amounted to \$ 113,126.

Interest incurred during the year amounted to \$ 27,514. 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, 2012

Cash flows from operating activities:			
Cash received from Surchargers and Other Revenues		\$	619,520
Cash received from tower rental			9,750
Cash paid to suppliers of goods and services			(294,886)
Cash paid to employees for services			<u>(545,763)</u>
NET CASH USED BY OPERATING ACTIVITIES			(211,379)
Cash flows from non-capital financing activities -			
Transfers from primary government	130,000		
Transfers from the City of McMinnville	130,000		
Grants and reimbursements from TECB	214,523		
Contracted services	<u>200</u>		
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES			474,723
Cash flows from capital and related financing activities:			
Purchase of building and equipment		\$	(49,753)
Payments on notes payable			(77,553)
Interest paid on notes payable			<u>(27,609)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES			(154,915)
Cash flows from investing activities -			
Purchase of certificates of deposit			(3,600)
Investment income			<u>4,130</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES			530
NET INCREASE IN CASH AND CASH EQUIVALENTS			108,959
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			117,998
CASH AND CASH EQUIVALENTS AT END OF YEAR			\$ <u>226,957</u>
Reconciliation of operating income to cash flows from operating activities			
Operating loss		\$	(341,610)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	116,335		
Tower rental	9,750		
Decrease(Increase) in operating assets:			
Accounts receivable	(9,162)		
Increase(Decrease) in operating liabilities:			
Accounts payable	6,252		
Accrued expenses	<u>7,056</u>		
TOTAL ADJUSTMENTS			<u>130,231</u>
NET CASH USED BY OPERATING ACTIVITIES			\$ <u>(211,379)</u>

See Independent Auditors' Report and Notes to Financial Statements.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Warren County Emergency Communications District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (ARB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. As an enterprise fund, the District has the option of electing to apply FASB pronouncements issued after November 30, 1989. The District has elected not to apply those pronouncements.

Reporting Entity

The Warren County Emergency Communications District was established in October, 1990, and began operations in February, 1995. The District is to provide a simplified means of securing emergency services by telephone within Warren County, Tennessee. Members of the District's Board of Directors are appointed by the Warren County Commission. In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The criteria for including organizations within the reporting entity, as set forth in GASB No. 14, "The Financial Reporting Entity", is financial accountability. Financial Accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The District must obtain County Commission approval before the issuance of debt, and the County Commission has the ability to adjust the District's service charges. Based upon the application of these criteria, it was determined that the Warren County Emergency Communications District is a component unit of Warren County, Tennessee.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The District uses the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when the liability is incurred.

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted cash) with an original maturity of three months or less from date of purchase to be cash equivalents.

Depreciation and Amortization

The District computes depreciation and amortization using the straight line method.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 \$ 433,663 with carrying amount of \$ 430,357. Of this amount, \$203,600 was invested in a certificate of deposit which bears interest at 1.5% annually. The District also had \$200 in petty cash.

Note D - The amount of advertising cost expensed for the year was \$ 112.

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2012</u>
Assets not being depreciated:				
Land	\$ 14,085			\$ 14,085
Assets being depreciated:				
Paving	9,883			9,883
Building	1,131,739			1,131,739
Communications equipment	762,468	49,753		812,221
Office furniture & fixtures	19,516			19,516
Vehicles	22,715			22,715
	<u>1,960,406</u>	<u>49,753</u>	<u>0</u>	<u>2,010,159</u>
 <u>Accumulated Depreciation</u>				
Paving	9,884			9,884
Building	142,878	30,174		173,052
Communications equipment	504,519	79,471		583,990
Office furniture & fixtures	15,893	831		16,724
Vehicles	20,065	2,650		22,715
	<u>693,239</u>	<u>113,126</u>	<u>0</u>	<u>806,365</u>
	<u>\$ 1,267,167</u>	<u>\$ (63,373)</u>	<u>\$ -</u>	<u>\$ 1,203,794</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 \$ 3,209.

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note G - NOTES PAYABLE

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, 2012 was \$ 564,952.

Balance at July 1, 2011	\$	642,505
Payments		<u>(77,553)</u>
 Balance at June 30, 2012	\$	<u><u>564,952</u></u>

The note payable matures as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2018-2019	<u>119,342</u>	<u>3,232</u>	<u>122,574</u>
 Total	<u><u>\$ 564,952</u></u>	<u><u>\$ 82,937</u></u>	<u><u>\$ 647,889</u></u>

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

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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, 2012 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, 2012, Warren County E-911's annual pension cost of \$4,378 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, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 4,378	100.00%	\$ 0
June 30, 2011	\$ 5,459	100.00%	\$ 0
June 30, 2010	\$ 4,605	100.00%	\$ 0

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note H - EMPLOYEE PENSION - continued

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 97.74% percent funded. The actuarial accrued liability for benefits was \$.41 million, and the actuarial value of assets was \$.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.01 million. The covered payroll (annual payroll of active employees covered by the plan) was \$ 0.33 million, and the ratio of the UAAL to the covered payroll was 2.87% 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.

(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)
7/1/11	\$ 404	\$ 414	\$ 9	97.74%	\$ 325	2.87%
7/1/09	\$ 292	\$ 305	\$ 13	95.71%	\$ 273	4.79%
7/1/07	\$ 248	\$ 264	\$ 16	93.94%	\$ 170	9.41%

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 \$ 9,750.

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 had several line item expenditures that exceeded appropriation. The excess ranged from \$2 to \$9,469. Refer to the Statement of Budgetary Comparison on pages 15 and 16.

Note L - COMMITMENTS

The District has committed to installing IP911 system. The District has deposited \$46,694 with Emergitech Inc. and will have to pay another \$ 46,694 when the system is completely installed.

See Independent Auditors' Report.

REQUIRED SUPPLEMENTARY INFORMATION

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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

June 30, 2012

(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)
7/1/11	\$ 404	\$ 414	\$ 9	97.74%	\$ 325	2.87%
7/1/09	\$ 292	\$ 305	\$ 13	95.71%	\$ 273	4.79%
7/1/07	\$ 248	\$ 264	\$ 16	93.94%	\$ 170	9.41%

See Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF BUDGETARY COMPARISON

Year ended June 30, 2012

	Budget		Actual
	Original	Final	
<u>Operating revenues</u>			
Emergency telephone service charges:			
Ben Lomand	\$ 320,000	\$ 320,000	\$ 332,692
Citizens Telecom	38,000	38,000	34,163
Other user fees	1,310	1,310	1,912
TECB - shared wireless charge	165,000	165,000	64,873
TECB - operational funding	128,410	128,410	195,042
Total operating revenues	<u>652,720</u>	<u>652,720</u>	<u>628,682</u>
<u>Operating expenses</u>			
Salaries and wages:			
Director	53,500	53,500	53,873
Administrative personnel	49,054	49,054	52,316
Dispatchers	353,905	343,905	348,555
Overtime pay	45,000	88,520	88,425
Pay bonuses	5,000	5,000	5,030
Total salaries and wages	<u>506,459</u>	<u>539,979</u>	<u>548,199</u>
Employee benefits:			
Social security	34,000	34,000	33,551
Medicare	7,154	7,154	7,847
Unemployment compensation	517	7,517	8,731
Medical insurance	40,000	40,000	49,469
Retirement contributions	6,000	6,000	4,467
Total employee benefits	<u>87,671</u>	<u>94,671</u>	<u>104,065</u>
Contracted services:			
Addressing and mapping expenses	26,550	26,550	35,400
Advertising	200	200	112
Audit services	2,200	2,200	2,200
Administrative fees	181	181	
Fiscal agent charges	9,791	9,791	11,184
Software maintenance fees			4,861
Janitorial services	3,714	3,714	3,850
Legal services	6,600	6,600	6,600
Radio maintenance	2,480	2,480	2,080
Office equipment maintenance	240	240	49
Ben Lomand maintenance	5,750	5,750	4,862
Citizens maintenance	2,100	2,100	2,102
Computer mapping maintenance	29,000	21,000	21,293
DeKalb Cooperative maintenance	500	500	
NCIC/TBI/TIES expenses	4,500	4,500	8,994
Pest control	240	240	233
Tower rental			320
Ben Lomand equipment lease	4,274	4,274	4,663

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2012

	Budget		Actual
	Original	Final	
Operating expenses - cont.			
Contracted services:			
Maintenance and repairs:			
communication equipment	3,000	3,000	275
building	2,000	2,000	1,907
office equipment	600	600	2,226
vehicle	400	400	
Generator maintenance	900	900	700
Yard maintenance	2,000	2,000	2,155
Total contracted services	<u>107,220</u>	<u>99,220</u>	<u>116,066</u>
Supplies and materials:			
Office supplies	4,252	4,252	2,043
Custodial supplies	1,545	1,545	1,608
Postage	290	290	266
Small equipment purchases	500	500	1,605
Utilities - electric	15,000	15,000	14,458
Utilities - gas	900	900	774
Utilities - water and sewer	600	600	552
Utilities - telephone	32,000	32,000	31,945
Utilities - cell phone and pagers	2,025	2,025	2,430
Other supplies and materials	211	211	876
Total supplies and materials	<u>57,323</u>	<u>57,323</u>	<u>56,557</u>
Other charges:			
Bank charges	300	300	199
Dues and memberships			75
Employee testing and exams	1,000	1,000	1,825
Insurance - workers compensation	2,200	2,200	1,877
Insurance - building and contents	12,200	12,917	10,602
Insurance - vehicles	1,300	1,300	969
License and fees	100	100	93
Premiums on surety bonds	1,200	1,200	1,207
Public education	630	630	1,691
Service awards			
EMD training	4,000	4,000	2,611
Other training	5,000	5,000	2,634
Travel	5,300	5,300	4,788
Board travel expense	2,300	2,300	499
Miscellaneous	9,280	9,280	
Total other charges	<u>44,810</u>	<u>45,527</u>	<u>29,070</u>
Depreciation	135,520	113,000	113,126
Amortization			3,209
Total operating expenses	<u>939,003</u>	<u>949,720</u>	<u>970,292</u>
Operating income (loss)	<u>(286,283)</u>	<u>(297,000)</u>	<u>(341,610)</u>

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2012

	Budget		Actual
	Original	Final	
Nonoperating revenues (expenses):			
Interest income	8,000	8,000	4,152
Rental income	22,000	22,000	9,750
Miscellaneous			200
Contributions from primary government -			
County appropriations	130,000	130,000	130,000
Contributions from City of McMinnville	130,000	130,000	130,000
Contributions from other government			
TECB grants and reimbursements	34,000	34,000	214,523
Interest expense	<u>(37,717)</u>	<u>(27,000)</u>	<u>(27,514)</u>
Total nonoperating revenues (expenses)	<u>286,283</u>	<u>297,000</u>	<u>461,111</u>
Net increase (decrease) in net assets	\$ <u>0</u>	\$ <u>0</u>	\$ <u>119,501</u>

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

OTHER INFORMATION

June 30, 2012

The District had the following insurance in force at June 30, 2012:

<u>Type of Coverage</u>	<u>Expiration Date</u>	<u>Limit of Liability</u>
Commercial property:	August 27, 2012	
Real property		\$ 1,260,710
Personal property		486,895
Repeaters		65,813
Business income		12 months actual loss
Money & securities		10,000
Software		250,000
General liability	August 27, 2012	
General aggregate		3,000,000
Personal injury and advertising injury		1,000,000
Medical expense		5,000
Commercial umbrella liability	August 27, 2012	
		1,000,000 per occurrence
		2,000,000 aggregate
Management liability	August 27, 2012	
		1,000,000 per occurrence
		3,000,000 aggregate
		25,000 injunctive relief
Automotive liability	August 27, 2012	
Liability		1,000,000 per occurrence
Physical damage		agreed value, actual cash value or cost of repairs
Medical payments		10,000
Uninsured motorist		1,000,000
Workman's compensation	September 24, 2012	Statutory limits
District Director's bond	July 1, 2012	50,000

See Independent Auditors' Report.

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

June 30, 2012

<u>Year ending June 30,</u>	First National Bank		
	Principal	Interest	Total
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	101,890	3,173	105,063
2019	17,452	59	17,511
	\$ 564,952	\$ 82,937	\$ 647,889

See Independent Auditors' Report.

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

June 30, 2012

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

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

Year ended June 30, 2012

	CFDA #	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
<u>State Financial Assistance</u>						
Tennessee Emergency Communications Board - GIS grant 2012	N/A	Z03016957		\$ 10,000	\$ 10,000	
The above is not a major federal program.						
Total State Awards			\$ -	\$ 10,000	\$ 10,000	\$ -

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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, 2012, and have issued our report thereon dated December 21, 2012. 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

Management of Warren County Emergency Communication District is responsible for establishing and maintaining effective 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 previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying *schedule of findings and responses* as item 11-1 that we consider to be significant deficiencies 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 Warren County Emergency Communication District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of findings and responses* as item 12-1.

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 21, 2012

WARREN COUNTY EMERGENCY COMMUNICATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

Year Ending June 30, 2012

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."
12-1 Finding -	Compliance
Condition and Criteria -	Expenditures exceeded appropriations on several of the budget's line-items.
Cause -	Budgets were not effectively monitored.
Effect -	The District is in violation of State law.
Recommendation -	Budgets should be closely monitored and amended to ensure expenditures do not exceed appropriations for the budget's line-items.
Management's Response -	"We concur and will monitor our budget more closely in the future."

Finding 11-1 was mentioned in last year's audit report.