

**WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A COMPONENT UNIT OF WARREN COUNTY, TENNESSEE)**

ANNUAL FINANCIAL REPORT

Year ended June 30, 2013

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WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

LIST OF OFFICIALS

June 30, 2013

Members of the Board of Directors at June 30, 2013 are:

<u>Name</u>	<u>Term Expires</u>	<u>Office</u>
Mark Gribble	October 22, 2014	Chairman
Frank Rice	October 22, 2017	Vice-Chairman
Judy Kelsey	October 22, 2017	Secretary
Gary George	October 22, 2015	Treasurer
Jerry Womack	October 22, 2014	Director
John Pelham		Ex Officio
Jimmy Haley		Ex Officio
Mike Neal		Ex Officio
Teddy Boyd		Ex Officio
Chuck Haston		Operations Director
Valerie Womack		Operations Coordinator

Denning & Cantrell

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Members of AICPA & TSCPA
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Warren County Emergency Communication District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity of Warren County Emergency Communications District, a component of Warren County, Tennessee as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Warren County Emergency Communications District's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate a basis for our audit opinion.

Opinions

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 Warren County Emergency Communications District as of June 30, 2013, and the respective changes in financial position, and cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages v-xii and the schedule of funding progress on page 14 to 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Warren County Emergency Communications District's basic financial statements. The other supplementary information on page 16-20 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information on pages 16-20 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 page 16-20 is fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2013, on our consideration of Warren County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Warren County Emergency Communications District's internal control over financial reporting and compliance

Denning & Cantrell
Certified Public Accountants

McMinnville, Tennessee
December 28, 2013

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 2013 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 \$1,611,377 and exceeded liabilities (net assets) by \$1,074,263. Of the total net assets, \$341,552 was classified as unrestricted. Total assets decreased in 2013 by \$122,926 and total net position was (49,259).

The District's total operating revenues were \$661,277, an increase of \$32,595 from the previous year. The District's Emergency Telephone Service Charge revenue decreased from \$368,767 in 2012 to \$355,564 in 2013, a decrease of \$13,203. This continuing trend is felt nationwide as telephone service customers replace traditional landline telephones with wireless telephone devices (cellular phones) or VoIP (Voice over Internet Protocol) services. The Tennessee Emergency Communications Board Shared Wireless distribution for the year ending June 30th, 2013 was \$99,275. The Tennessee Emergency Communications Board's Operational Funding distribution was \$206,438. 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 \$76,053 in grants and reimbursements during the fiscal year ending June 30th, 2013. The grants and reimbursements include 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 in conjunction with the NetTn network will allow 911 Centers to accept traditional landline and wireless calls and eventually, 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. City government approved this increase however county government did not approve the District's request for additional funding. City and County governments have been very supportive of the District's operations, but as emergency landline charges decrease and demand for 911 services increase, a larger financial commitment by local government will be necessary. The District processed just under 50,000 events for the fiscal year ending June 30th, 2013 and forecasts indicate that this total will increase. As the District migrates to the NetTn network, additional pathways to 911 will be in place. It is worth noting that the demands placed upon this and other 911 Districts are a result of both emergency and non-emergency events. Estimating staffing requirements on emergency events alone does not render accurate figures as any event requiring a transaction by 911 Telecommunicators/Dispatchers must be considered. Technology allowing data to be disseminated to responding agencies must also factor into staffing and training decisions.

Operating expenses increased over 2012 by 9.3%. This increase is a result of the hiring of three additional Telecommunicator/Dispatchers to meet the increase in demand for 911 services. As stated in previous reports, 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. The capacity to financially accommodate more requests for service will not be possible without larger financial commitments from local government, or updates to the emergency telephone surcharge rate structure. Management cannot emphasize enough how critical this issue is for long-term local financial control of the District.

Interest income was \$2,982 in 2013 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 \$28,542 in 2013.

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, TBI/FBI NCIC/TIES certification and specialized training every two years. Additionally, 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, suicide intervention, and active shooter response classes.

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, 2013 was \$483,829.

GENERAL TRENDS AND SIGNIFICANT EVENTS

The Warren County Emergency Communications District's Emergency Telephone (wireline) Service Charge revenue decreased \$13,203 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 District's present wireline rate schedule. On average, the District has experienced a 3 to 5% decrease in wireline revenue per year.

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 \$270,000 to the District in 2012-2013. 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. 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 installed the Inter911 system from Emergitech, Inc. Columbus, Ohio. The Inter911 IP911 system 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 2012-2013 the District received \$206,438 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

The District's major capital assets are: Warren County 911 Center 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 2013, the District had \$2,132,828 invested in capital assets, representing a net increase of \$122,669 from last year, a result of 911 system, computer aided dispatching (CAD) workstation and server replacements and upgrades.

The Warren County Emergency Communications District's 911 Center operates at a facility designed to provide the community with an emergency communications center capable of withstanding threats from natural and man-made origins.

Of the District's Capital Assets, 53% represents the District's 911 Communications Center, land and paving. Communications equipment represents 44% with the remaining 3% comprised of furniture, fixtures and the District's vehicle.

BUDGETARY ANALYSIS

For the fiscal year 2012-2013, total expenses were 8% greater than budget. Total income was 1.8% greater than budgeted.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES June 30th, 2012 and June 30th, 2013

	<u>2012</u>	<u>2013</u>	Variance <u>Amount</u>
Operating Revenues			
Emergency telephone service charges	368,767	355,564	(13,203)
ECB Shared Wireless	64,873	99,275	34,402
Sales-mapping		0	0
ECB Operational			
Funding	<u>195,042</u>	<u>206,438</u>	<u>11,396</u>
<u>Total Operating Revenues</u>	<u>628,682</u>	<u>661,277</u>	<u>32,595</u>
Operating Expenses			
Salaries and Wages	548,199	610,357	62,158
Employee Benefits	104,066	121,044	16,978
Contracted Services	116,066	120,961	4,895
Supplies and Materials	56,557	65,704	9,147
Other Charges	29,070	33,363	4,293
Depreciation	113,126	109,923	(3,203)
Amortization	<u>3,209</u>	<u>3,119</u>	<u>(90)</u>

<u>Total Operating Expenses</u>	<u>970,292</u>	<u>1,064,471</u>	<u>94,173</u>
Operating Income (loss)	<u>(341,610)</u>	<u>(403,194)</u>	<u>61,584</u>
Non-Operating Revenues (Expenses)			
Miscellaneous	200	0	(200)
Interest Income	4,152	2,982	(1,170)
Rental Income	9,750	28,542	18,792
TECB Grants and Reimbursements,	214,523	76,053	(138,470)
Contributions from Primary Government	260,000	270,000	10,000
Interest Expense	(27,514)	(23,642)	3,872
Total Non-operating Revenues (Expenses)	<u>461,111</u>	<u>353,935</u>	<u>(107,176)</u>
Net Increase (decrease) in net position	119,501	(49,259)	(168,760)
Beginning net position	<u>1,004,021</u>	<u>1,123,522</u>	<u>119,501</u>
ENDING NET POSITION	<u>1,123,522</u>	<u>1,074,263</u>	<u>(49,259)</u>

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
CONDENSED COMPARATIVE STATEMENTS OF NET ASSETS
June 30th, 2012 and June 30th, 2013

	<u>2012</u>	<u>2013</u>	<u>Variance Amount</u>
<u>ASSETS</u>			
Current assets	\$ 515,577	\$ 383,025	\$ (132,552)
Capital assets	1,203,794	1,216,540	12,746
Other asset	<u>14,932</u>	<u>11,812</u>	<u>(3,120)</u>
TOTAL ASSETS	<u>1,734,303</u>	<u>1,611,377</u>	<u>(122,926)</u>
<u>LIABILITIES</u>			
Current liabilities	127,136	138,327	11,191
Noncurrent liabilities	<u>463,645</u>	<u>398,787</u>	<u>(64,858)</u>
TOTAL LIABILITIES	590,781	537,114	(53,667)
Net position:			
Invested in capital assets	638,842	732,711	93,869
Unrestricted net position	<u>484,645</u>	<u>341,552</u>	<u>(64,858)</u>
TOTAL NET POSITION	<u>1,123,522</u>	<u>1,074,263</u>	<u>(49,259)</u>

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

The financial statements of the Warren County Emergency Communications District are prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units using the accrual method of accounting.

The financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, a statement of cash flows, and notes to the financial statements. While the statement of net position provides information about the nature and amount resources and obligations at year end, the statement of revenues, expenses and changes in net position 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 emergency Public Safety Answering Points (PSAP's) for citizens in need of emergency services. The Warren County 911 Communications Center began conducting emergency 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 nineteen 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 decrease 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 increased the residential landline charge from \$1.00 per line to \$1.50 per line. Additionally, the Tennessee Emergency Communications Board continues to release additional shares 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 \$265,000 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 \$76,968 for an IP based telephone system and associated software, and for the replacement of computer aided dispatching system server and workstations.

In closing, Warren County's 911 District, along with other Tennessee 911 Districts, move closer to the financial precipice each time a telephone service subscriber drops landline (wireline) telephone service in favor of wireless (cellular) telephone service. The sale of wireless "home phone" services, cable providers' bundled packages, and VoIP based telephone services all have a negative financial impact on 911 Districts. While financially challenging and frustrating for 911 Districts, management recognizes that it is unrealistic to expect an individual to consider the impact their technology purchase will have on 911. More importantly, this would not matter if rate structures were in sync with available consumer technology. The incongruity that exists within 911 is that at the operational (local) level, a 911 call center is required to stay ahead of technology with the assets and the knowledge to provide 911 services for multiple and emerging pathways (landline, wireless, and VoIP), but the rate structure to fund 911 has remained the same for many years. The present emergency telephone surcharge rate structure, in addition to being inadequate, places an unfair and unnecessary burden on landline subscribers, and local government.

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 about 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
McMinnville, TN 37110
(931) 668-7000

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$	102,101
Certificate of deposit		206,654
Interest receivable		926
Accounts receivable		28,774
Due from Tennessee Emergency Communications Board		<u>44,570</u>
TOTAL CURRENT ASSETS		383,025
 <u>PROPERTY AND EQUIPMENT</u>		
Land	\$	14,085
Paving		9,883
Building		1,131,739
Communications equipment		934,890
Office furniture and fixtures		19,516
Vehicles		<u>22,715</u>
		2,132,828
Less accumulated depreciation		<u>916,288</u>
		1,216,540
 <u>OTHER ASSET</u>		
Mapping costs (less accumulated amortization of \$ 221,114)		<u>11,812</u>
TOTAL ASSETS		<u>1,611,377</u>
 <u>LIABILITIES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable		11,974
Accrued payroll		22,990
Accrued interest payable		298
Accrued vacation payable		18,023
Current portion of long term debt		<u>85,042</u>
TOTAL CURRENT LIABILITIES		138,327
 <u>LONG TERM DEBT</u>		
Note payable	483,829	
Less amount due in one year	<u>85,042</u>	<u>398,787</u>
TOTAL LIABILITIES		537,114
 <u>NET POSITION</u>		
Net invested in capital assets		732,711
Unrestricted net position		<u>341,552</u>
TOTAL NET POSITION	\$	<u>1,074,263</u>

See Independent Auditors' Report and Notes to Financial Statements.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year ended June 30, 2013

Operating revenues:		
Emergency telephone service charges	\$	355,564
Tennessee Emergency Communications Board - Shared Wireless Charge		99,275
Tennessee Emergency Communications Board - Operational Funding		<u>206,438</u>
		661,277
Operating expenses:		
Salaries and wages	\$	610,357
Employee benefits		121,044
Contracted services		120,961
Supplies and materials		65,704
Other charges		33,363
Depreciation		109,923
Amortization		<u>3,119</u>
		<u>1,064,471</u>
	Operating income (loss)	(403,194)
Nonoperating revenues (expenses):		
Interest income		2,982
Rental income		28,542
Contributions from primary government		130,000
Contributions from City of McMinnville		140,000
TECB - grants and reimbursements		76,053
Interest expense		<u>(23,642)</u>
		<u>353,935</u>
	Decrease in net position	(49,259)
Net position at July 1, 2012		<u>1,123,522</u>
Net position at June 30, 2013	\$	<u><u>1,074,263</u></u>

Depreciation of property, plant and equipment was computed by the straight line method and amounted to \$ 109,923.

Interest incurred during the year amounted to \$ 23,642. 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, 2013

Cash flows from operating activities:		
Cash received from Surchargers and Other Revenues		\$ 671,556
Cash received from tower rental		28,542
Cash paid to suppliers of goods and services		(339,830)
Cash paid to employees for services		<u>(603,844)</u>
NET CASH USED BY OPERATING ACTIVITIES		(243,576)
Cash flows from non-capital financing activities -		
Transfers from primary government	130,000	
Transfers from the City of McMinnville	140,000	
Grants and reimbursements from TECB	<u>76,053</u>	
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES		346,053
Cash flows from capital and related financing activities:		
Purchase of equipment	\$ (122,669)	
Payments on notes payable	(81,123)	
Interest paid on notes payable	<u>(23,941)</u>	
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		(227,733)
Cash flows from investing activities -		
Purchase of certificates of deposit	(3,054)	
Investment income	<u>3,454</u>	
NET CASH PROVIDED BY INVESTING ACTIVITIES		<u>400</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(124,856)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>226,957</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$ 102,101</u>
Reconciliation of operating income to cash flows from operating activities		
Operating loss		\$ (403,194)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	113,042	
Tower rental	28,542	
Decrease(Increase) in operating assets:		
Accounts receivable	10,279	
Increase(Decrease) in operating liabilities:		
Accounts payable	1,242	
Accrued expenses	<u>6,513</u>	
TOTAL ADJUSTMENTS		<u>159,618</u>
NET CASH USED BY OPERATING ACTIVITIES		<u>\$ (243,576)</u>

See Independent Auditors' Report and Notes to Financial Statements.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

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.

Measurement Focus and Basis of Accounting

The District uses the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when the liability is incurred.

The activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net position.

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.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Capital Assets

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 Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation and amortization is provided over the assets' useful lives using the straight-line method. 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

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 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.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Equity Classifications

Equity is classified as net position and displayed in three components:

- a. Net invested in capital assets---Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position---Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position--All other net assets that do not meet the definition of "restricted" or "net invested in capital assets."

Budgetary Data

In accordance with the laws of the State of Tennessee, the District adopts a budget each year. The budget for the next year is usually presented to the Board for their approval during the last month of the fiscal year. The budget must pass two readings before it is adopted. Once adopted the budget may be amended as the Board deems necessary. The budgetary amounts in these statements are as adopted by the Board. The budget is prepared in accordance with generally accepted accounting principles. The legal level of control over the budget is at the line-item level.

Advertising

It is the District's policy to expense advertising costs as incurred.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources(expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources(revenue) until that time.

For the year ended June 30, 2013, the District has neither a deferred inflow nor outflow of resources.

Implementation of new GASB Statements

During the fiscal year ended June 30, 2013, the District implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance, included in certain FASB and AICPA pronouncements issued prior to November 30, 1989, which does not conflict with or contradict GASB pronouncements.

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Implementation of new GASB Statements -continued

During the fiscal year ended June 30, 2013, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting the balance sheets and statements of revenues, expenses, and changes in net position.

During the fiscal year ended June 30, 2013, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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 \$ 325,836 with carrying amount of \$ 308,755. Of this amount, \$206,654 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 \$ 124.

Note E - PROPERTY AND EQUIPMENT

<u>Fixed Assets</u>	Balance at July 1, 2012	Additions	Deductions	Balance at June 30, 2013
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	812,221	122,669		934,890
Office furniture & fixtures	19,516			19,516
Vehicles	22,715			22,715
	<u>2,010,159</u>	<u>122,669</u>	<u>0</u>	<u>2,132,828</u>
<u>Accumulated Depreciation</u>				
Paving	9,883			9,883
Building	173,052	30,153		203,205
Communications equipment	583,991	78,990		662,981
Office furniture & fixtures	16,724	780		17,504
Vehicles	22,715			22,715
	<u>806,365</u>	<u>109,923</u>	<u>0</u>	<u>916,288</u>
	<u>\$ 1,203,794</u>	<u>\$ 12,746</u>	<u>\$ -</u>	<u>\$ 1,216,540</u>

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 \$ 3,119.

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, 2013 was \$ 483,829.

Balance at July 1, 2012	\$	564,952
Payments		<u>(81,123)</u>
Balance at June 30, 2013	\$	<u><u>483,829</u></u>

The note payable matures as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>17,636</u>	<u>59</u>	<u>17,695</u>
Total	<u>\$ 483,829</u>	<u>\$ 59,181</u>	<u>\$ 543,010</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, 2013

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 PSPF. 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, 2013 was 1.83% 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, 2013, Warren County E-911's annual pension cost of \$7,682 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, 2011 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, 2011 was 4 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

<u>Fiscal Year</u> <u>Ending</u>	<u>Trend Information</u>		
	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2013	\$ 7,682	100.00%	\$ 0
June 30, 2012	\$ 4,378	100.00%	\$ 0
June 30, 2011	\$ 4,605	100.00%	\$ 0

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 \$ 28,542.

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 \$1 to \$23,811. Refer to the Statement of Budgetary Comparison on pages 16 and 17.

See Independent Auditors' Report.

REQUIRED SUPPLEMENTARY INFORMATION

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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

June 30, 2013

(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%

OTHER SUPPLEMENTARY INFORMATION

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF BUDGETARY COMPARISON

Year ended June 30, 2013

	Budget		Actual
	Original	Final	
<u>Operating revenues</u>			
Emergency telephone service charges:			
Ben Lomand	\$ 313,000	\$ 313,000	\$ 321,284
Citizens Telecom	32,000	32,000	31,976
Other user fees	1,310	1,310	2,304
TECB - shared wireless charge	155,859	155,859	99,275
TECB - operational funding	128,410	147,410	206,438
Total operating revenues	<u>630,579</u>	<u>649,579</u>	<u>661,277</u>
<u>Operating expenses</u>			
Salaries and wages:			
Director	55,640	55,928	55,928
Administrative personnel	51,016	56,551	56,551
Dispatchers	368,061	456,590	457,991
Overtime pay	60,000	34,892	34,892
Pay bonuses	5,000	4,996	4,995
Total salaries and wages	<u>539,717</u>	<u>608,957</u>	<u>610,357</u>
Employee benefits:			
Social security	35,020	37,671	37,671
Medicare	7,368	8,750	8,750
Unemployment compensation	517	2,863	2,863
Medical insurance	40,000	40,256	64,067
Retirement contributions	6,000	7,693	7,693
Total employee benefits	<u>88,905</u>	<u>97,233</u>	<u>121,044</u>
Contracted services:			
Addressing and mapping expenses	26,550	35,400	35,523
Advertising		56	124
Audit services	2,200	2,500	2,500
Administrative fees	100		
Fiscal agent charges	9,591	10,109	11,898
Janitorial services	3,214	4,635	4,705
Legal services	6,000	6,811	6,811
Radio maintenance	2,080	2,220	5,416
Office equipment maintenance		279	279
Ben Lomand maintenance	5,400	4,692	4,692
Citizens maintenance	1,950	2,282	2,282
Computer mapping maintenance	16,500	26,366	26,366
NCIC/TBI/TIES expenses	4,500	6,994	6,994
Pest control	240	273	273
Tower rental		1,920	1,920
Ben Lomand equipment lease	4,274	2,720	2,720

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2013

	Budget		Actual
	Original	Final	
Operating expenses - cont.			
Contracted services:			
Maintenance and repairs:			
communication equipment	1,500	2,348	3,795
building	1,250	1,459	1,459
office equipment	600		
vehicle	400	30	30
Generator maintenance	900	1,044	1,044
Yard maintenance	1,700	1,990	2,130
Total contracted services	<u>88,949</u>	<u>114,128</u>	<u>120,961</u>
Supplies and materials:			
Office supplies	2,250	2,574	3,653
Custodial supplies	1,545	1,411	1,412
Postage	290	226	226
Small equipment purchases	500	292	292
Utilities - electric	15,000	14,573	14,828
Utilities - gas	800	825	827
Utilities - water and sewer	600	632	695
Utilities - telephone	32,600	36,466	39,772
Utilities - cell phone and pagers	2,025	2,615	2,706
Other supplies and materials	211	1,194	1,293
Total supplies and materials	<u>55,821</u>	<u>60,808</u>	<u>65,704</u>
Other charges:			
Bank charges	300	75	75
Dues and memberships		3,145	3,145
Employee testing and exams	2,500	1,295	1,621
Insurance - workers compensation	2,450	1,906	1,906
Insurance - building and contents	12,700	10,411	10,411
Insurance - vehicles	1,100	1,358	1,358
License and fees	100	54	54
Premiums on surety bonds	1,200	1,152	1,152
Public education		300	300
EMD training	6,000	2,083	2,083
Other training	7,000	3,238	3,238
Travel	5,300	6,342	6,342
Board travel expense	2,300	106	106
Miscellaneous	8,000	1,662	1,572
Total other charges	<u>48,950</u>	<u>33,127</u>	<u>33,363</u>
Depreciation	120,520	70,326	109,923
Amortization			3,119
Total operating expenses	<u>942,862</u>	<u>984,579</u>	<u>1,064,471</u>
Operating income (loss)	<u>(312,283)</u>	<u>(335,000)</u>	<u>(403,194)</u>

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2013

	Budget		Actual
	Original	Final	
Nonoperating revenues (expenses):			
Interest income	4,000	4,000	2,982
Rental income	22,000	22,000	28,542
Contributions from primary government -			
County appropriations	130,000	140,000	130,000
Contributions from City of McMinnville	130,000	140,000	140,000
TECB grants and reimbursements	44,000	44,000	76,053
Interest expense	(17,717)	(15,000)	(23,642)
	<u>312,283</u>	<u>335,000</u>	<u>353,935</u>
Total nonoperating revenues (expenses)	<u>312,283</u>	<u>335,000</u>	<u>353,935</u>
Net increase (decrease) in net position	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (49,259)</u>

See Independent Auditors' Report.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

OTHER INFORMATION

June 30, 2013

The District had the following insurance in force at June 30, 2013:

<u>Type of Coverage</u>	<u>Expiration Date</u>	<u>Limit of Liability</u>
Commercial property:	August 27, 2013	
Real property		\$ 1,363,584
Personal property		526,626
Repeaters		59,205
Business income		12 months actual loss
Money & securities		10,000
Software		250,000
General liability	August 27, 2013	
General aggregate		3,000,000
Personal injury and advertising injury		1,000,000
Medical expense		5,000
Commercial umbrella liability	August 27, 2013	
		1,000,000 per occurrence
		2,000,000 aggregate
Management liability	August 27, 2013	
		1,000,000 per occurrence
		3,000,000 aggregate
		25,000 injunctive relief
Automotive liability	August 27, 2013	
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, 2013	Statutory limits

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

June 30, 2013

<u>Year ending June 30,</u>	First National Bank		
	Principal	Interest	Total
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	17,636	59	17,695
	\$ 483,829	\$ 59,181	\$ 543,010

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INDEPENDENT AUDITOR'S 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 Communications District

We have audited, in accordance with the 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, the financial statements of the business-type activity of the Warren County Emergency Communications District, a component unit of Warren County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Warren County Emergency Communications District's basic financial statements and have issued our report thereon dated December 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Warren County Emergency Communications District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Warren County Emergency Communications District's internal control.

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. *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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify and deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been

identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 11-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warren County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that is reported as item 12-1 in the schedule of findings and responses.

Warren County Emergency Communications District's Response to Findings

Warren County Emergency Communications District's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. Warren County Emergency Communications District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Denning & Cantrell

Certified Public Accountants

McMinnville, Tennessee
December 28, 2013

WARREN COUNTY EMERGENCY COMMUNICATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

Year Ending June 30, 2013

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 -	"The Warren County Emergency Communications District strives to maintain a robust system of fiscal internal control. As previously stated in finding 11-1, the District is a small entity with limited personnel and resources. The District's management is comprised of a District Director, Director of Operations, and a part-time bookkeeper/accountant. It is management's position, that given the available framework, the District's system of internal control is effective. Board members are provided detailed financial documents at monthly Board meetings. As co-signers on every check, Board members are intimately involved in the workaday processes of the District and its management. A structured chain of inspection and possession of supporting documentation, financial statements, and Board meeting Minutes exists at the District. The Board and management of District hold in high regard its obligation to be responsible custodians of taxpayer money and to operate with complete financial transparency. As always, the District will continue to take any step necessary to uphold these obligations. "

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. The largest variance was for medical insurance which resulted from new dispatchers being hired."

Both findings were was mentioned in last year's audit report.