

**WILSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
LEBANON, TENNESSEE**

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

YEARS ENDED June 30, 2013 AND 2012

WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.
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June 30, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

To the Comptroller of the Treasury and the Board of Directors
Wilson County Emergency Communications District, Inc.
A Component Unit of Wilson County
Lebanon, Tennessee 37087

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Wilson County Emergency Communication District, Inc., a component unit of Wilson County as of and for the years ended June 30, 2013 and 2012 and the related notes to the financial statements, which collectively comprise the District's basic 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 opinions on these financial statements based on our audits. We conducted our audits 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 risks 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 to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of the Wilson County Emergency Communication District, Inc. as of June 30, 2013, and 2012 and the respective changes in financial position, and cash flows thereof for the years then 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 and analysis on pages 5 through 8 as well as schedules of funding progress for pension and OPEB on page 27 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wilson County Emergency Communication District, Inc. basic financial statements. The Roster of Board Members and Management Officials and the supplemental schedule of comparative operating fund revenues and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedule of comparative operating fund revenues and expenses is the responsibility of management and were derived from and related 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 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 supplemental schedule of comparative operating fund revenues and expenses is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Roster of Board Members and Management 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 February 24, 2014, on our consideration of the Wilson County Emergency Communication District, Inc.'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 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 Wilson County Emergency Communication District, Inc.'s internal control over financial reporting and compliance.

Dempsy Vintreas & Follis PLLC

Lebanon, TN

February 24, 2014

Management's Discussion and Analysis

This section of the Wilson County Emergency Communications Districts (a component unit of Wilson County) audited financial statements presents our discussion and analysis of the Organization's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The organization's net position increased \$183,490 over the course of the fiscal year ended June 30, 2013 operations. The increase in net position is a 6.77% increase from net position of \$2,710,086 at June 30, 2012. In the fiscal year ended June 30, 2012, the Organization's net position increased \$55,438 or 2.09% over net position of \$2,654,648 at June 30, 2011.
- There was an increase in net position of \$183,490, which is a increase of \$128,052 from \$55,438 increase in net position for June 30, 2012. Net income from ongoing operations decreased (\$2,351) or -85.21% from the fiscal year ending June 30, 2012, primarily due to increase in contract services. During the fiscal year ended June 30, 2012, income from ongoing operations increased \$16,869 or 119.55% and the change in net position decreased (\$311,308) or -84.88% from the fiscal year ended June 30, 2011.
- The total cost of the Organization's activities increased by 5.0% in the fiscal year ending June 30, 2013. Increases in operating expenses were in salaries, employee benefits, post employment benefits, depreciation, and emergency communications equipment maintenance fees. The total cost of the Organization's activities increased 6.02% in the fiscal year ending June 30, 2012, due to increases in employee benefits, contracted services, supplies and materials.
- Balances of cash and certificates of deposit increased \$395,877 or 18% during the fiscal year ending June 30, 2013. In the fiscal year ending June 30, 2012 the balances of cash and certificates of deposit increased \$128,803 or 6.2%. The increase is primarily due to additional funding provided by the Tennessee Emergency Communications Board.

Overview of the Financial Statements

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements of a proprietary fund offer short and long term financial information about the activities the government operates as a business’s. The financial statements also include notes that explain some of the information in the financial statements and provided more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Financial Analysis of the Organizations as a Whole

Net Position. The Organization’s net position increased \$183,490 between fiscal years 2012 and 2013. In comparison, net position for the fiscal year ended June 30, 2012 increased \$55,438 from the fiscal year ending June 30, 2011. Income from ongoing operations decreased (\$2,351) for the year ending June 30, 2013 and non-operating income increased \$130,403 or 247.54% for the year ending June 30, 2013.

Wilson County Emergency Communications District

Net Position

June 30, 2013 and June 30, 2012

<u>Account Name</u>	<u>2013</u>	<u>2012</u>	<u>%Change</u>
Current & Other Assets	\$2,666,169	\$2,307,428	15.55%
Capital Assets	\$ <u>631,461</u>	\$ <u>711,831</u>	-11.29%
Total Assets	<u>\$3,297,630</u>	<u>\$3,019,259</u>	9.22%
Current and Other Liabilities	\$ 404,054	\$ 309,173	30.69%
Net Position			
Invested in Capital Assets			
Net of Depreciation	\$ 631,461	\$ 711,831	-11.29%
Unrestricted	<u>\$2,262,115</u>	<u>\$1,998,255</u>	13.20%
Total Net Position	<u>\$2,893,576</u>	<u>\$2,710,086</u>	6.77%
Total Liabilities & Net Position	<u>\$3,297,630</u>	<u>\$3,019,259</u>	9.22%

Wilson County Emergency Communications District

Net Position

June 30, 2012 and June 30, 2011

<u>Account Name</u>	<u>2012</u>	<u>2011</u>	<u>%Change</u>
Current & Other Assets	\$2,307,428	\$2,206,569	4.57%
Capital Assets	<u>\$ 711,831</u>	<u>\$ 660,898</u>	7.71%
Total Assets	<u>\$3,019,259</u>	<u>\$2,867,467</u>	5.29%
Current & Other Liabilities	\$ 309,173	\$ 212,819	45.28%
Net Position			
Invested in Capital Assets			
Net of Depreciation	\$ 711,831	\$ 660,898	7.71%
Unrestricted	<u>\$1,998,255</u>	<u>\$1,993,750</u>	0.23%
Total Net Position	<u>\$2,710,086</u>	<u>\$2,654,648</u>	2.09%
Total Liabilities & Net Position	<u>\$3,019,259</u>	<u>\$2,867,467</u>	5.29%

Changes in Net Position. The Organization's total revenues (excluding non-operating items) increased \$49,206 during the fiscal year ending June 30, 2013 and \$75,435 for the fiscal year ending June 30, 2012. Non-operating income increased \$130,403 during the fiscal year ending June 30, 2013. Approximately 96% of the Organization's income is derived from taxes charged on the telephone bills for emergency telephone service. The remaining non-operating source of income is principally investment income and state grants. Comparisons of changes in net assets are presented below:

Wilson County Emergency Communications District

Changes in Net Position

June 30, 2013 and June 30, 2012

<u>Account Name</u>	<u>2013</u>	<u>2012</u>	<u>%Change</u>
Total Operating Revenues	\$1,083,753	\$1,034,547	4.76%
Total Operating Expenses	<u>\$1,083,345</u>	<u>\$1,031,788</u>	5.00%
Operating Income	\$ 408	\$ 2,759	-85.21%
Non-Operating Income	<u>\$ 183,082</u>	<u>\$ 52,679</u>	247.54%
Increase in Net Position	<u>\$ 183,490</u>	<u>\$ 55,438</u>	230.98%

Wilson County Emergency Communications District

Changes in Net Position

June 30, 2012 and June 30, 2011

<u>Account Name</u>	<u>2012</u>	<u>2011</u>	<u>%Change</u>
Total Operating Revenues	\$1,034,547	\$959,112	7.87%
Total Operating Expenses	<u>\$1,031,788</u>	<u>\$973,222</u>	6.02%
Operating Income	\$ 2,759	(\$ 14,110)	119.55%
Non-Operating Income	\$ <u>52,679</u>	\$380,856	-86.17%
Increase in Net Position	<u>\$ 55,438</u>	<u>\$366,746</u>	-84.88%

Capital Assets. As of June 30, 2013, the Organization had invested \$631,461 in capital assets including the building and land in which the operations are conducted and various items of office and communications equipment. As of June 30, 2012, the Organization had invested \$711,831 in capital assets. An inventory of all capital assets was taken on June 30, 2013. An annual physical inventory of all capital assets is planned for the close of business on June 30 each year. More detail about the Organization's capital assets is available in Note 7 to the financial statements.

The Organization's fiscal year 2014 capital budget projects \$106,000 additions to capital assets. The Organization has no plans or intentions to finance these additions but will use proceeds from ongoing operations, cash revenues, and grants to fund any purchases.

Contacting the Organizations Financial Management

This financial report is designed to provide the citizens, taxpayers and customers of Wilson County of the Organizations finances and to demonstrate the Organization's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Wilson County Emergency Communications District, 1611 W Main Street, Lebanon, TN 37087.

WILSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
STATEMENTS OF NET POSITION

	<u>ASSETS</u>	
	June 30,	
	2013	2012
Current Assets		
Cash & Cash Equivalents	\$ 464,101	\$ 242,901
Investments	2,129,507	1,954,830
Accounts Receivable	18,825	27,755
Total Current Assets	2,612,433	2,225,486
Fixed Assets		
Land	118,500	118,500
Building	440,466	440,466
Office Equipment	222,472	219,937
Communications Equipment	338,549	338,549
Vehicles	22,710	22,710
Total	1,142,697	1,140,162
Less Accumulated Depreciation	(511,236)	(428,331)
Net Fixed Assets	631,461	711,831
Other Assets		
Prepaid Service Lease, net	53,736	81,942
Net Other Assets	53,736	81,942
Total Assets	\$ 3,297,630	\$ 3,019,259

The accompanying notes are an integral part of these financial statements

WILSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
STATEMENTS OF NET POSITION

LIABILITIES AND NET POSITION

	June 30,	
	2013	2012
Current Liabilities		
Accounts Payable	\$ 19,621	\$ 16,980
Accrued Payroll	17,626	15,649
Payroll Deductions Payable	(97)	(145)
Compensated Absences	9,846	8,497
Total Current Liabilities	46,996	40,981
Other Liabilities		
Net OPEB Liability	357,058	268,192
Total Liabilities	404,054	309,173
Net Position		
Invested In Capital Assets	631,461	711,831
Unrestricted	2,262,115	1,998,255
Total Net Position	2,893,576	2,710,086
 Total Liabilities & Net Position	 \$ 3,297,630	 \$ 3,019,259

The accompanying notes are an integral part of these financial statements

WILSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

	Years Ended June 30,	
	2013	2012
Operating Revenues		
Emergency Telephone Service Charge	\$ 179,119	\$ 148,786
Tennessee Emergency Communications Board-Shared Wireless Charge	276,300	271,948
Tennessee Emergency Communications Board-Operational Funding	367,150	345,113
Other Operating Revenues	261,184	268,700
Total Operating Revenues	1,083,753	1,034,547
Operating Expenses		
Salaries and Wages	434,766	420,166
Employee Benefits	215,765	211,088
Contracted Services	237,997	218,483
Supplies & Materials	30,709	29,946
Other Charges	40,832	36,366
Depreciation	123,276	115,739
Total Operating Expenses	1,083,345	1,031,788
Operating Income/(Loss)	408	2,759
Non-operating Revenues/(Expenses)		
Loss on Disposal of Asset	(10,012)	-
Interest Income	54,617	42,679
Tennessee Emergency Communications Board Grants and Reimbursements	138,477	10,000
Total Nonoperating Revenues/(Expenses)	183,082	52,679
Increase in Net Position	183,490	55,438
Net Position, Beginning of Year	2,710,086	2,654,648
Net Position, End of Year	\$ 2,893,576	\$ 2,710,086

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

WILSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Cash Received From Charges for Services	\$ 1,092,683	\$ 1,036,702
Cash Payments To Suppliers for Goods and Services	(494,457)	(463,262)
Cash Payments to Employees for Services	<u>(342,526)</u>	<u>(330,645)</u>
Net Cash Provided By Operating Activities	255,700	242,795
Net Cash Provided By Noncapital Financing Activities		
State of Tennessee ECB Grants	138,477	10,000
Net Cash Used by Capital and Related Financing Activities		
Purchase of Equipment	(52,918)	(166,671)
Cash Flows From Investing Activities		
Purchase of Certificates of Deposit	(174,676)	(388,734)
Interest On Investments	<u>54,617</u>	<u>42,679</u>
Net Cash Provided By (Used In) Investing Activities	<u>(120,059)</u>	<u>(346,055)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	221,200	(259,931)
Cash & Cash Equivalents at Beginning of Year	<u>242,901</u>	<u>502,832</u>
Cash & Cash Equivalents at End of Year	<u>\$ 464,101</u>	<u>\$ 242,901</u>

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

WILSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2013	2012
Operating Income/(Loss)	\$ 408	\$ 2,759
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities		
Depreciation	123,276	115,739
Change in Assets and Liabilities		
Accounts Receivable	8,930	2,155
Prepaid Expenses	28,206	25,789
Accounts Payable	2,641	6,833
Accrued Payroll	1,977	2,210
Payroll Deductions Payable	48	(40)
Net OPEB Liability	88,866	87,748
Compensated Absences Payable	1,348	(398)
Net Cash Provided By Operating Activities	\$ 255,700	\$ 242,795

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

WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Wilson County Emergency Communication District, Inc. was established pursuant to Tennessee Code Annotated 7-86-101 for the purpose of providing emergency services through the use of a three digit (911) telephone number. The District is a component unit of Wilson County, Tennessee, the primary government. Wilson County appoints the board members of the District and must approve the District's issuance of long-term debt. Even though the District is financially independent of the Wilson County primary governmental unit, it is accountable to that unit.

Financial Statement Presentation, Measurement Focus and Basis of Accounting

Basis of Presentation

The District is considered to be a business-type activity or proprietary fund. Business -type activities are financed in whole or in part by fees charged to external parties and are designed to be self-supporting. Proprietary fund operating revenues, such as charges for services, result from exchange transaction associated with the principal active of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenues, such as investment earnings and grant revenues result from nonexchange transactions or ancillary activities.

Measurement Focus and Basis of Accounting

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The District's financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) and in conformity with all applicable GASB pronouncements.

WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Budgets and Budgetary Accounting

Per Tennessee Code Annotated Section 7-86-120, the Board is legally required to adopt and operate under an annual budget. All monies received and expended by the district must be included in the budget. The district cannot expend any monies regardless of source except in accordance with the legally adopted budget. Budgetary control for emergency communications districts is legally set at the line-item level.

The Board follows these procedures in establishing the budgetary data reflected in the additional information section:

- a) Formal budgetary integration is employed as a management control device during the year for the business-type activity. This budget is adopted on a basis consistent with generally accepted accounting principles.
- b) The Board of Directors approves an annual detailed budget. Any revisions made during the year must be approved by the Board of Directors.
- c) The budget amounts shown in Other Information are the final authorized amounts as revised during the year.

Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets

As more fully described in Note 7, capital assets are recorded at cost and depreciated over their useful lives using the straight line method.

Estimates

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

WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses and capital contributions. Net position is classified in the following three components:

Invested in capital assets, net of related debt

This component of net position consists of 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. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted

This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislations.

Unrestricted

This component of net position consists of net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The District’s general spending prioritization policy is to consider restricted resources to have been used first then unrestricted resources when expenditures have been incurred for which resources in more than one classification could be used

Operating Revenues

Operating revenues are received from various phone companies by law as more fully described in Note 3. All revenues not part of these legally required payments for emergency telephone service have been classified as non-operating.

WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 2 - CASH AND INVESTMENTS

The District maintains two bank accounts with the following balances at June 30, 2013:

Operating Account	\$ (5,270)
Savings Account	469,371
Total Cash	<u>\$ 464,101</u>

The District uses a "sweep account" for its operating account where the cash remaining in the bank at the end of the business day is "swept" into the savings account and transferred back into the operating account as needed to cover checks. Accordingly, the \$5,270 deficit shown for the operating account above represents the outstanding checks at June 30, 2013. Funds will be transferred back to the operating account from savings as needed to cover the outstanding checks.

The District also had ten certificates of deposit with a total balance at June 30, 2013 of \$2,129,507. This amount has been classified as investments on the statement of net assets. Of this amount \$133,059 was uninsured and collateralized with securities held by the bank's trust department or by an agent in the component unit's name and \$316 was uninsured and uncollateralized.

Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized as follows: All deposits with financial institutions other than savings and loan associations must be collateralized in an amount equal to 105% of the value of the deposit secured thereby. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the district.

Deposits with savings and loan associations must be collateralized by one of the following methods: 1) By an amount equal to 105% of the face amount of uninsured deposits if the collateral is of the same character as that required for other financial institutions; 2) By an irrevocable letter of credit issued by the Federal Home Loan Bank; or, 3) By a surety bond issued by an insurance company licensed under the laws of the State of Tennessee whose claims paying ability is rated in the highest category by at least two nationally recognized statistical rating services.

The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits. Wilson County Emergency Communications District, Inc. had no deposits with savings and loan associations during the period under audit.

WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 3 - ACCOUNTS RECEIVABLE

At June 30, 2013 the District had \$18,825 in accounts receivable. Of this amount, \$9,812 was due from AT&T; \$9,013 was due from Tennessee Telephone. These receivables represent amounts that are collected by the telephone companies and then remitted to the District. Each residential customer is charged \$.55 per month and each commercial customer is charged \$1.67 per month. Additionally, the District receives \$.25 per cellular phone from the Tennessee Emergency Communications Board. No allowance for uncollectible accounts is considered necessary.

NOTE 4 - ACCRUED COMPENSATED ABSENCES

All full-time employees of the District accrue vacation based on years of service. Vacation is earned on a calendar year basis, and must be taken in the year earned. At June 30, 2013, the District's had \$9,846 of accrued compensated absences.

NOTE 5 - EQUIPMENT MAINTENANCE AND PREPAID MAINTENANCE

During the year ended June 30, 2011 the District bought out some of the equipment that was previously leased from the telephone company. The buyout included \$202,502 for the equipment, included in capital assets above and \$134,340 of prepaid maintenance, to be credited against the maintenance charges on the remaining equipment over 60 months starting July 1, 2010. The amortization of the prepaid maintenance for the year ended June 30, 2013 was \$26,868 and was included in contracted services on the financial statements. The amount of maintenance fees paid on the remaining equipment varies from month to month. A total of \$183,676 was paid for the fiscal year ended June 30, 2013.

NOTE 6 - RISK FINANCING ACTIVITIES

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. Those risks include general liability, property and casualty, worker's compensation and employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 7 - CAPITAL ASSETS

All capital assets are recorded at historical cost. Depreciation is determined using the straight line method over the estimated useful lives of the respective assets of five to thirty-nine years. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized.

A summary of changes in capital assets follows:

	July 1, 2012	Additions	Retirements	June 30, 2013
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 118,500	\$ -	\$ -	\$ 118,500
Other Capital Assets:				
Office Equipment	219,937	52,918	50,383	222,472
Building	440,466	-	-	440,466
Communications Equipment	338,549	-	-	338,549
Vehicles	22,710	-	-	22,710
Total Other Capital Assets at Historical Cost	1,021,662	52,918	50,383	1,024,197
Less Accumulated Depreciation for:				
Office Equipment	137,575	33,388	40,371	130,592
Building	183,942	17,636	-	201,578
Communications Equipment	98,108	67,710	-	165,818
Vehicles	8,706	4,542	-	13,248
Total Accumulated Depreciation	428,331	123,276	40,371	511,236
Other Capital Assets, Net	593,331	(70,358)	10,012	512,961
Business Type Activities Capital Assets, Net	\$ 711,831	\$ (70,358)	\$ 10,012	\$ 631,461

Depreciation expense for the year ended June 30, 2013 amounted to \$123,276.

WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 7 - CAPITAL ASSETS-CONTINUED

	Balance			Balance
	July 1, 2011	Additions	Retirements	June 30, 2012
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 118,500	\$ -	\$ -	\$ 118,500
Other Capital Assets:				
Office Equipment	189,312	30,625	-	219,937
Building	440,466	-	-	440,466
Communications Equipment	202,502	136,047	-	338,549
Vehicles	22,710	-	-	22,710
Total Other Capital Assets at Historical Cost	<u>854,990</u>	<u>166,672</u>	<u>-</u>	<u>1,021,662</u>
Less Accumulated Depreciation for:				
Office Equipment	104,920	32,655	-	137,575
Building	166,307	17,635	-	183,942
Communications Equipment	37,201	60,907	-	98,108
Vehicles	4,164	4,542	-	8,706
Total Accumulated Depreciation	<u>312,592</u>	<u>115,739</u>	<u>-</u>	<u>428,331</u>
Other Capital Assets, Net	<u>542,398</u>	<u>50,933</u>	<u>-</u>	<u>593,331</u>
Business Type Activities Capital Assets, Net	<u>\$ 660,898</u>	<u>\$ 50,933</u>	<u>\$ -</u>	<u>\$ 711,831</u>

NOTE 8 - PENSION EXPENSE

Plan Description

Employees of Wilson County Emergency Communication District, Inc. 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 become disabled and cannot engage in gainful employment.

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013 and 2012

NOTE 8 - PENSION EXPENSE-CONTINUED

Plan Description-Continued

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 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 Wilson County Emergency Communications District, Inc. 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 www.tn.gov/treasury/tcrs/ps

Funding Policy

Wilson County Emergency Communication District, Inc. has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Wilson County Emergency Communication District, Inc. is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 11.53% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Wilson County Emergency Communication District, Inc. is established and may be amended by the TCRS Board of Trustees.

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013 and 2012

NOTE 8 – PENSION EXPENSE – CONTINUED

Annual Pension Cost

For the year ending June 30, 2013 Wilson County Emergency Communication District, Inc.'s annual pension cost of \$39,174 to TCRS was equal to Wilson County Emergency Communication District, Inc.'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% 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. Wilson County Emergency Communication District, Inc.'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.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$39,174	100.00%	\$0.00
June 30, 2012	\$38,005	100.00%	\$0.00
June 30, 2011	\$33,275	100.00%	\$0.00

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 91.75% percent funded. The actuarial accrued liability for benefits was \$0.41 million and the actuarial value of assets was \$0.37 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.03 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.32 million, and the ratio of the UAAL to the covered payroll was 10.42% percent.

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013 and 2012

NOTE 8 – PENSION EXPENSE – CONTINUED

Funded Status and Funding Progress-Continued

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 Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$374	\$408	\$34	91.75%	\$323	10.42%

NOTE 9 – GIS MAPPING MAINTENANCE

During the fiscal years ended June 30, 2013 and 2012, the Wilson County Emergency Communication District, Inc. paid \$9,500 and \$9,500 respectively per year for the maintenance of a computerized mapping system that will be titled to Wilson County. Prior to 2010 Wilson County Emergency Communications District, Inc. paid half of the maintenance contract but beginning in the fiscal year ended June 30, 2011 other county agencies including the Lebanon Police Department, & WEMA now pay a portion of the mapping maintenance fees resulting in a reduced cost to Wilson County Emergency Communications District, Inc.

These payments have been included in the contracted services balance on the statement of revenues, expenses, and changes in net assets.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District's full-time employees are included in Wilson County's plan for health, dental and prescription coverage. The Wilson County plan is a single employer plan that offers pre-65 retirees and dependents one of two plans depending on when the participant is hired (before or after March 1, 2000). Once a participant turns age 65, the health plan provision provides medical benefits through a Medicare Supplement Plan and prescription drug benefit through the county's self-insured plan. Upon death, retirees receive a \$2,000 life insurance benefit.

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013 and 2012

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)-CONTINUED

An employee who retires or becomes disabled from the District is eligible for retiree health coverage upon meeting one of the following requirements: (1) hired prior to July 1, 1992; ten years of service with the last eight consecutive, (2) hired between July 1, 1992 and August 31, 1998; age 45 with ten years of service with the last eight consecutive, or (3) hired on or after September 1, 2008; the earlier of age 55 with ten years of service with the last eight consecutive; age 60 with ten years of service with the last year under the plan; or at any age with 30 years of service.

If a retiree is eligible for health insurance coverage and spouse coverage has been in effect for a minimum of one year prior to the employee's retirement, the plan will also provide health coverage for the retiree's spouse. This coverage will continue for as long as the spouse lives, even if the retiree dies before the spouse.

Eligible retirees are not required to share the cost of health insurance. Eligible dependents and disabled former employees who do not meet retirement eligibility requirements are required to share the cost of health insurance.

Annual OPEB Cost and Net OPEB Obligation

The OPEB cost and net OPEB obligation were estimated based on the June 30, 2012 actuarial valuation for Wilson County's plan as a whole, which includes the District's employees.

The District's portion of the OPEB cost and obligation were computed by the actuary in a separate document. The net OPEB cost of \$88,845 for the year ended June 30, 2013 is included in employee benefits on the statements of revenues, expenses and changes in net assets.

ARC	\$ 99,817
Interest on the NPO	9,387
Adjustment to the ARC	<u>(14,334)</u>
Annual OPEB cost	94,870
Amount of contribution	<u>(6,025)</u>
Increase/(decrease) in NPO	88,845
Net OPEB obligation, 07/01/2012	268,192
Prior year adjustment per actuary	<u>21</u>
Net OPEB obligation, 06/30/2013	<u><u>\$ 357,058</u></u>

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

June 30, 2013 and 2012

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), - CONTINUED

Year Ended	Plan	Annual OPEB Cost	of Annual OPEB Cost Contributed	Net OPEB Obligation at Year end
06/30/10	Postemployment Benefits Plan	\$ 74,228	4%	\$ 109,079
06/30/11	Postemployment Benefits Plan	\$ 74,228	4%	\$ 180,444
06/30/12	Postemployment Benefits Plan	\$ 92,576	5%	\$ 268,192
06/30/13	Postemployment Benefits Plan	\$ 94,870	6%	\$ 357,058

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013 is as follows:

Actuarial valuation date	07/01/12
Actuarial accrued liability (AAL)	\$ 800,394
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 800,394
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 266,292
UAAL as a % of covered payroll	301%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used to include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. In the June 30, 2012 actuarial valuation, the projected unit credit actuarial cost method was used.

WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), - CONTINUED

Actuarial Methods and Assumptions-continued

The actuarial assumptions included a 3.5 percent discount rate, an annual healthcare cost trend rate of eight percent initially, reduced by decrements to an ultimate rate of 5.5 percent after five years, and an annual dental cost trend rate of five percent. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 30, 2008.

NOTE 11 - SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through February 24, 2014 the date the financial statements were available to be issued.

WILSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
June 30, 2013

SCHEDULE OF FUNDING PROGRESS FOR PENSION

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$374	\$408	\$34	91.75%	\$323	10.42%
July 1, 2009	\$260	\$271	\$11	96.11%	\$289	3.64%
July 1, 2007	\$213	\$227	\$14	93.83%	\$180	7.78%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry date actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into effect during the year of the 2007 actuarial valuation.

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Actuarial Valuation Date	Actuarial Value of Plan 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)
7/1/2012	\$ -	\$ 800,394	\$ 800,394	0%	\$ 266,292	301%
1/1/2009	\$ -	\$ 545,103	\$ 545,103	0%	N/A	N/A
1/1/2007	\$ -	\$ 463,581	\$ 463,581	0%	\$ 240,402	193%

WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.
ROSTER OF BOARD MEMBERS AND
MANAGEMENT OFFICIALS

June 30, 2013 and 2012

Mac McCluskey	Board Chairman
Ken Davis	Vice Chairman
Lounita Howard	Treasurer
Ron Britt	Board Member
David Hale	Board Member
Bedford Johnson	Board Member
Jordan Beasley	Board Member
Fred Burton	Board Member
Larry Stone	Board Member
Michael Jennings	911 Attorney
J.R. Kelley	Director

WILSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES
COMPARED TO BUDGETED REVENUES AND EXPENSES

Year Ended June 30, 2013

	Actual	Budgeted	Difference Over (Under)
Operating Revenues			
Emergency Telephone Service Charge	\$ 179,119	180,300	\$ (1,181)
Tennessee Emergency Communications Board-Shared Wireless Charge	276,300	271,734	4,566
Tennessee Emergency Communications Board-Operational Funding	367,150	502,105	(134,955)
Other Operating Revenues	261,184	264,941	(3,757)
Total Operating Revenues	<u>1,083,753</u>	<u>1,219,080</u>	<u>(135,327)</u>
Operating Expenses			
Salaries & Wages			
Director	63,000	63,010	(10)
Dispatchers	287,760	287,760	-
Administrative	74,686	75,000	(314)
Longevity Pay	7,000	7,000	-
Overtime Pay	2,320	3,000	(680)
Total Salaries & Wages	<u>434,766</u>	<u>435,770</u>	<u>(1,004)</u>
Employee Benefits			
Social Security	26,748	28,000	(1,252)
Medicare	6,256	6,500	(244)
Medical Insurance	54,424	55,000	(576)
Life Insurance	297	320	(23)
Unemployment Compensation	-	50	(50)
OPEB Cost	88,866	88,866	-
Retirement Contributions	39,174	39,200	(26)
Total Employee Benefits	<u>215,765</u>	<u>217,936</u>	<u>(2,171)</u>
Contracted Services			
Addressing/Mapping Expenses	19,000	19,000	-
Advertising	-	-	-
Accounting Services	200	200	-
Audit Services	4,400	4,400	-
Data Processing	1,013	1,100	(87)
Janitorial Services	2,535	2,535	-
Legal Services	14,100	14,100	-
Maintenance & Repairs - Maintenance Agreements	2,090	2,100	(10)
Communication Equipment	183,676	185,000	(1,324)
Buildings & Facilities	3,458	4,000	(542)
Office Equipment	4,925	6,000	(1,075)
Other Contracted Services	924	1,200	(276)
Pest Control	330	360	(30)
Vehicles	134	250	(116)
Fuel	1,212	1,250	(38)
Total Contracted Services	<u>237,997</u>	<u>241,495</u>	<u>(3,498)</u>

See Auditors' Report on Other Information

WILSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.
A COMPONENT UNIT OF WILSON COUNTY
SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES
COMPARED TO BUDGETED REVENUES AND EXPENSES

Year Ended June 30, 2013

	<u>Actual</u>	<u>Budgeted</u>	<u>Difference Over (Under)</u>
Supplies & Materials			
Office Supplies	2,575	3,000	\$ (425)
Custodial Supplies	787	800	(13)
Data Processing Supplies	969	1,200	(231)
Small Equipment	1,574	2,000	(426)
Postage	748	1,250	(502)
Uniforms & Shirts	721	750	(29)
Utilities -			
Electric	9,568	10,000	(432)
Gas	740	1,000	(260)
Water	738	1,000	(262)
General Telephone	11,112	12,000	(888)
Cell Phone & Pagers	1,177	1,500	(323)
Total Supplies & Materials	<u>30,709</u>	<u>34,500</u>	<u>(3,791)</u>
Other Charges			
Bank Charges	351	500	(149)
Dues & Memberships	1,882	2,370	(488)
Employee Testing & Exams	-	500	(500)
Insurance -			
Workers Compensation	1,185	1,420	(235)
Liability	1,294	1,300	(6)
Building & Contents	1,581	2,100	(519)
Vehicles	896	900	(4)
Surety Bonds	1,337	1,340	(3)
Public Training	1,237	1,500	(263)
Service Awards	1,489	1,500	(11)
Training Expenses	268	275	(7)
Travel	29,273	30,000	(727)
Other Charges	39	100	(61)
Total Other Charges	<u>40,832</u>	<u>43,805</u>	<u>(2,973)</u>
Miscellaneous Expenses			
Depreciation	123,276	130,000	(6,724)
Amortization	-	-	-
Total Operating Expenses	<u>1,083,345</u>	<u>1,103,506</u>	<u>(20,161)</u>
Nonoperating Revenues (Expenses)			
Interest Income	54,617	49,000	5,617
Loss on Disposal	(10,012)	-	(10,012)
Tennessee Emergency Communications Board Grants & Reimbursements	138,477	-	138,477
Total Nonoperating Revenues/(Expenses)	<u>183,082</u>	<u>49,000</u>	<u>134,082</u>
Increase in Net Position	<u>\$ 183,490</u>	<u>\$ 164,574</u>	<u>\$ 18,916</u>

See Auditors' Report on Other Information

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*

To the Board of Directors
Wilson County Emergency Communication District, Inc.
Lebanon, Tennessee

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 activities of Wilson County Emergency Communication District, Inc., a component unit of Wilson County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Wilson County Emergency Communication District, Inc. basic financial statements and have issued our report thereon dated February 24, 2014

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wilson County Emergency Communication District, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wilson County Emergency Communication District, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Wilson County Emergency Communication District, Inc.'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 internal control was for the limited purpose described in the first 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 any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wilson County Emergency Communication District, Inc.'s financial statements are free from 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 the following instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Tennessee Code Annotated Section 9-4-118(c) states "any fund invested, deposited or placed for deposit that are not covered by federal deposit insurance shall be collateralized in the same manner as state deposits or in the collateral pool". Wilson County Emergency Communication District, Inc. had a certificate of deposit with First Freedom Bank that exceeded the federal deposit insurance limit. First Freedom Bank is not a member of the state collateral pool nor was the funds collateralized in accordance with state statutes. The District should monitor amounts on deposit that could possibly exceed FDIC limits and request reports showing proper collateralization from banks not participation in the state collateral pool.

Wilson County Emergency Communication District, Inc.'s Response to Findings

Wilson County Emergency Communication District, Inc.'s response to the findings identified in our audit previously is described as follows:

The original principal amount of the certificate of deposit was \$250,000. Interest accrual, as of 6/30/13, was added to the principal, exceeding the FDIC limit by \$316.37. This was an unintended consequence of adding interest back into the principal. The bank has now collateralized amounts exceeding the FDIC insured limit.

Wilson County Emergency Communication District, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Dempsey Ventlease & Follen PLLC

Lebanon, TN

February 24, 2014