

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

ANNUAL FINANCIAL REPORT

Year ended June 30, 2014

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

LIST OF OFFICIALS

June 30, 2014

Members of the Board of Directors at June 30, 2014 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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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, 2014, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 activity of the Warren County Emergency Communications District as of June 30, 2014, and the respective changes in financial position, and cash flows thereof for the year 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 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 pages 16-21 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information on pages 16-21 is the responsibility of management and was derived from and relate 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, other

supplementary information on pages 16-21 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The list of officials and the schedule of unaccounted for water have 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 also issued our report dated December 29, 2014, on our consideration of the 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 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, Tennessee's internal control over financial reporting and compliance.

Denning & Centrell

Certified Public Accountants

McMinnville, Tennessee
December 29, 2014

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 2014 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 \$1,486,369 and exceeded liabilities (net assets) by \$1,003,845. Of the total net assets, \$149,325 was classified as unrestricted. Total assets decreased in 2014 by \$125,008 and total net position was (70,418).

The District's total operating revenues were \$613,390, a decrease of \$47,887 from the previous year. The District's Emergency Telephone Service Charge revenue decreased from \$355,564 in 2013 to \$344,132 in 2014, a decrease of \$11,432. This continuing trend is felt statewide as telephone service customers replace traditional landline telephones with wireless telephone devices (cellular phones) or VoIP (Voice over Internet Protocol) services. This trend can also be attributed to an antiquated 911 funding mechanism and structure within the state. The Tennessee Emergency Communications Board Shared Wireless distribution for the year ending June 30th, 2014 was \$102,044. The Tennessee Emergency Communications Board's Operational Funding distribution was \$167,214. 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 \$140,190 in grants and reimbursements during the fiscal year ending June 30th, 2014. The grants and reimbursements include funding for the recently updated Computer Aided Dispatching system hardware and associated servers, the "TIPS" mapping data integration project (Tennessee Information for Public Safety, an ongoing project) and various training incentives.

The District requested allocations from city and county government in the amount of \$280,000 which was split evenly among the city and county (\$140,000 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 54,000 events for the fiscal year ending June 30th, 2014 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. Over the last 36 months the District's workload has increased over 30% which has necessitated hiring additional personnel. This issue will be covered more.

Operating expenses increased \$40,278 over 2013. This increase is a result of staffing 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 service and stay within budget constraints. 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. Effective January, 2015 a new funding model will be enacted which will be of great help to the Districts. This new funding legislation came only after years of efforts to make improvements but much more work will be required to totally resolve the problem.

Interest income was \$2,507 in 2014 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 \$28,199 in 2014.

Throughout fiscal year ending June 30th 2014 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, 2014 was \$398,567.

GENERAL TRENDS AND SIGNIFICANT EVENTS

The Warren County Emergency Communications District's Emergency Telephone (wireline) Service Charge revenue decreased \$11,432 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 and over the last two years alone landline revenue has decreased over \$23,000.

When telephone service subscribers make the change from wireline to wireless, the net financial result on the District is significant. Wireless telephone subscribers pay an Emergency Telephone Service Charge of \$1.00. Of this \$1.00, the District receives .25 cents. Given that 90% 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. As mentioned previously in this report the Tennessee Legislature passed funding reform which establishes a funding level of \$1.16 for all pathways to 911 statewide. It remains to be seen if this funding level will be sufficient. If not, the Legislature would have the authority to raise the rate.

In addition to a common level of funding for all pathways to 911, the Districts will receive a minimum level of funding irrespective of landline losses. Effective in 2015, the base funding that Warren County will receive is \$673,152 which will be collected by the Tennessee Emergency Communications Board and then distributed via ACH to the District. This base funding, at the very least, stabilizes the decreasing revenue and allows Districts to project financial information much better. There are other, less attractive components to the legislation such as immunity from District level actions against phone companies improperly remitting 911 fees. On balance, however, the new funding legislation is a step in the right direction.

CAPITAL ASSETS

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

As of June 30th 2014, the District had \$2,283,298 invested in capital assets, representing a net increase of \$150,470 from last year, communications equipment workstation and server replacements and the acquisition of land behind the existing District property.

The Warren County Emergency Communications District's 911 Center operates from a 3400 square foot hardened dispatching facility located at 902 Bridge Builders Road in McMinnville, Tennessee. The facility is 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 45% with the remaining 2% comprised of furniture, fixtures and the District's vehicle.

BUDGETARY ANALYSIS

For the fiscal year 2013-2014, total expenses were 13% greater than budget due primarily to an increase in staffing requirements. Total income was 3.5% less than budgeted due primarily to a decrease in funding received from the State of Tennessee.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES June 30th, 2013 and June 30th, 2014

	<u>2014</u>	<u>2013</u>	Variance Amount
Operating Revenues			
Emergency telephone service charges	344,132	355,564	(11,432)
ECB Shared Wireless	102,044	99,275	2,769
Sales-mapping		0	0
ECB Operational Funding	<u>167,214</u>	<u>206,438</u>	<u>(39,224)</u>
<u>Total Operating Revenues</u>	<u>613,390</u>	<u>661,277</u>	<u>(47,887)</u>
Operating Expenses			
Salaries and Wages	652,440	610,357	42,083
Employee Benefits	120,106	121,044	(938)
Contracted Services	116,999	120,961	(3962)
Supplies and Materials	65,739	65,704	35
Other Charges	32,692	33,363	(671)
Depreciation	113,923	109,923	4000
Amortization	<u>2,850</u>	<u>3,119</u>	<u>(269)</u>
<u>Total Operating Expenses</u>	<u>1,104,749</u>	<u>1,064,471</u>	<u>40,278</u>
Operating Income (loss)	<u>(491,358)</u>	<u>(403,194)</u>	<u>88,164</u>
Non-Operating Revenues (Expenses)			
Miscellaneous			
Interest Income	2,547	2,982	(435)
Rental Income	28,199	28,542	(343)
TECB Grants and Reimbursements	44,000	76,053	(32,053)
Contributions from Primary Government	270,000	270,000	0
Interest Expense	(19,995)	(23,642)	(3,647)

Total Non-operating Revenues (Expenses)	<u>420,941</u>	<u>353,935</u>	<u>67,006</u>
Net Increase (decrease) in net position	<u>(70,417)</u>	<u>(49,259)</u>	<u>21,158</u>

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
CONDENSED COMPARATIVE STATEMENTS OF NET ASSETS
June 30th, 2013 and June 30th, 2014

	<u>2014</u>	<u>2013</u>	<u>Variance Amount</u>
<u>ASSETS</u>			
Current Assets:			
Cash			
Unrestricted	114,502	308,755	(194,253)
Restricted			
Receivable	27,144	29,700	(2,556)
Due TECB	<u>82,673</u>	<u>44,570</u>	38,103
Total Current Assets	<u>224,319</u>	<u>383,025</u>	(158,706)
Property and Equipment:			
Land	78,072	14,085	63,987
Paving	9,883	9,883	0
Building	1,131,739	1,131,739	0
Communications Equipment	1,021,373	934,890	86,483
Office Furniture and Fixtures	19,516	19,516	0
Vehicles	22,715	22,715	0
	2,283,298	2,132,828	150,470
	<u>1,030,211</u>	<u>916,288</u>	113,923
Less Accum Deprec			
	<u>1,253,087</u>	<u>1,216,540</u>	36,547
<u>Other Asset</u>			
Mapping Costs (less accumulated amortization)	<u>8,963</u>	<u>11,812</u>	(2,849)
Total Assets	<u>1,486,369</u>	<u>1,611,377</u>	(125,008)
<u>LIABILITIES</u>			
Current Liabilities:			
Note Payable	0	0	0
Accounts payable	64,717	11,974	52,743
Accrued Interest payable	491	298	193

Accrued payroll	1,698	22,990	(21,292)
Accrued vacation payable	17,051	18,023	(972)
Current portion of long term debt	88,949	85,042	3,907
Accrued retirement	<u>0</u>	<u>0</u>	<u>(0)</u>
Total Current Liabilities	<u>172,906</u>	<u>138,327</u>	<u>34,579</u>
<u>Long Term Debt</u>			
Note Payable (less amount due in 1 yr)	309,618	398,787	(89,169)
Net Assets			
Invested in capital assets	854,520	732,711	121,809
Unrestricted net position	<u>149,325</u>	<u>341,552</u>	(192,227)
Total Net Position	<u>1,003,845</u>	<u>1,074,263</u>	(70,418)

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 position 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 financial condition of Warren County as well as other Emergency Communications Districts continues to be challenged by years of inaction by the Tennessee Emergency Communications Board with regard to the adoption of a realistic and modernized funding model. Facing major losses in landline revenues and exponential increases in demands for services Tennessee's 911 Centers find themselves squeezed on both ends. In 2014, the Tennessee Legislature agreed, passed 911 funding modernization legislation and placed the Tennessee Emergency Communications Board in "wind-down" status with further action scheduled for the 2015 legislative session. The legislation takes effect in January of 2015 and provides a base funding amount to Warren County of \$673,152 (compared to \$613,390 in 2014) constituting a minimum base funding amount that will stop the annual landline losses experienced since the migration of customers from landline to wireless telephone services (5 to 6% per year.) Additionally, the District has secured a commitment of \$145,000 per year (\$290,000) from city and county government effective in the 2014-2015 fiscal year.

While the new legislation and funding from local government is a good sign financially for the District, the financial plan continues to be to do more with less. While not on the path to a total financial fix, the situation is improving. The 2015 legislative session will be pivotal.

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
902 Bridge Builders Road
McMinnville, TN 37110
(931) 668-7000

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$	34,749
Certificate of deposit		79,753
Interest receivable		172
Accounts receivable		26,972
Due from Tennessee Emergency Communications Board		<u>82,673</u>
TOTAL CURRENT ASSETS		224,319
<u>NONCURRENT ASSETS</u>		
<u>Capital Assets</u>		
Land	\$	78,072
Paving		9,883
Building		1,131,739
Communications equipment		1,021,373
Office furniture and fixtures		19,516
Vehicles		<u>22,715</u>
		2,283,298
Less accumulated depreciation		<u>1,030,211</u>
		1,253,087
<u>Other Asset</u>		
Mapping costs (less accumulated amortization of \$ 223,964)		<u>8,963</u>
TOTAL ASSETS		<u>1,486,369</u>
<u>LIABILITIES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable		64,717
Accrued payroll		1,698
Accrued interest payable		491
Accrued vacation payable		17,051
Current portion of long term debt		<u>88,949</u>
TOTAL CURRENT LIABILITIES		172,906
<u>NONCURRENT LIABILITIES</u>		
<u>Long Term Debt</u>		
Note payable	398,567	
Less amount due in one year	<u>88,949</u>	<u>309,618</u>
TOTAL LIABILITIES		482,524
<u>NET POSITION</u>		
Net investment in capital assets		854,520
Unrestricted net position		<u>149,325</u>
TOTAL NET POSITION		<u>\$ 1,003,845</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, 2014

Operating revenues:			
Emergency telephone service charges	\$		344,132
Tennessee Emergency Communications Board - Shared Wireless Charge			102,044
Tennessee Emergency Communications Board - Operational Funding			167,214
TOTAL OPERATING REVENUES			613,390
 Operating expenses:			
Salaries and wages	\$	652,440	
Employee benefits		120,106	
Contracted services		116,999	
Supplies and materials		65,739	
Other charges		32,692	
Depreciation		113,923	
Amortization		2,850	1,104,749
Operating income (loss)			(491,359)
 Nonoperating revenues (expenses):			
Interest income		2,547	
Rental income		28,199	
Contributions from primary government		130,000	
Contributions from City of McMinnville		140,000	
TECB - grants and reimbursements		140,190	
Interest expense		(19,995)	420,941
Decrease in net position			(70,418)
 Net position at July 1, 2013			1,074,263
 Net position at June 30, 2014			\$ 1,003,845

Depreciation of property, plant and equipment was computed by the straight line method and amounted to \$ 113,923.

Interest incurred during the year amounted to \$ 19,995. 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, 2014

Cash flows from operating activities:			
Cash received from Surchargers and Other Revenues		\$	577,089
Cash received from tower rental			28,199
Cash paid to suppliers of goods and services			(282,793)
Cash paid to employees for services			(674,704)
			<u>(674,704)</u>
	NET CASH USED BY OPERATING ACTIVITIES		(352,209)
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	140,190		
			<u>140,190</u>
	NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES		410,190
Cash flows from capital and related financing activities:			
Purchase of equipment		\$	(150,470)
Payments on notes payable			(85,262)
Interest paid on notes payable			(19,802)
			<u>(19,802)</u>
	NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		(255,534)
Cash flows from investing activities -			
Redemption of certificates of deposit	126,901		
Investment income	3,300		
			<u>3,300</u>
	NET CASH PROVIDED BY INVESTING ACTIVITIES		130,201
	NET DECREASE IN CASH AND CASH EQUIVALENTS		(67,352)
	CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		102,101
	CASH AND CASH EQUIVALENTS AT END OF YEAR	\$	<u>34,749</u>
Reconciliation of operating income to cash flows from operating activities			
Operating loss		\$	(491,359)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	116,773		
Tower rental	28,199		
Decrease(Increase) in operating assets:			
Accounts receivable	(36,301)		
Increase(Decrease) in operating liabilities:			
Accounts payable	52,743		
Accrued expenses	(22,264)		
			<u>(22,264)</u>
	TOTAL ADJUSTMENTS		<u>139,150</u>
	NET CASH USED BY OPERATING ACTIVITIES	\$	<u>(352,209)</u>

See Independent Auditors' Report and Notes to Financial Statements.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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", and GASB No. 61 "The Financial Reporting Entity: Omnibus (an amendment of GASB No. 14) 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, 2014

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 capital 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, 2014

Equity Classifications

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

- a. Net investment 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 investment 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, 2014, the District has neither a deferred inflow nor outflow of resources.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 \$ 134,368 with carrying amount of \$ 114,302. Of this amount, \$79,753 was invested in a certificate of deposit which bears interest at .6% annually. The District also had \$200 in petty cash. All bank balances were covered by FDIC insurance.

Note D - The amount of advertising cost expensed for the year was \$ 0.

Note E - CAPITAL ASSETS

<u>Capital Assets</u>	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2014</u>
Assets not being depreciated:				
Land	\$ 14,085	63,987		\$ 78,072
Assets being depreciated:				
Paving	9,883			9,883
Building	1,131,739			1,131,739
Communications equipment	934,890	86,483		1,021,373
Office furniture & fixtures	19,516			19,516
Vehicles	22,715			22,715
	<u>2,132,828</u>	<u>150,470</u>	<u>0</u>	<u>2,283,298</u>
<u>Accumulated Depreciation</u>				
Paving	9,883			9,883
Building	203,205	29,877		233,082
Communications equipment	662,981	83,266		746,247
Office furniture & fixtures	17,504	780		18,284
Vehicles	22,715			22,715
	<u>916,288</u>	<u>113,923</u>	<u>0</u>	<u>1,030,211</u>
	\$ <u>1,216,540</u>	\$ <u>36,547</u>	\$ <u>-</u>	\$ <u>1,253,087</u>

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note F - MAPPING COSTS

Mapping costs are recorded at cost. The monthly mapping maintenance fees are being expensed monthly since the service is in operation. The original cost of mapping the county was capitalized and is being amortized over a period of ten years by the straight line method. Amortization for the year amounted to \$ 2,850.

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, 2014 was \$ 398,567.

Balance at July 1, 2013	\$	483,829
Payments		<u>(85,262)</u>
Balance at June 30, 2014	\$	<u><u>398,567</u></u>

The note payable matures as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>17,416</u>	<u>95</u>	<u>17,511</u>
Total	<u><u>\$ 398,567</u></u>	<u><u>\$ 39,196</u></u>	<u><u>\$ 437,763</u></u>

Note H - EMPLOYEE PENSION

Plan Description

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

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note H - EMPLOYEE PENSION - continued

Plan Description - continued

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 15th 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, 2014 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, 2014, Warren County E-911's annual pension cost of \$11,427 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.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$ 11,427	100.00%	\$ 0
June 30, 2013	\$ 7,682	100.00%	\$ 0
June 30, 2012	\$ 4,378	100.00%	\$ 0

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note H - EMPLOYEE PENSION - continued

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 98.99% percent funded. The actuarial accrued liability for benefits was \$.50 million, and the actuarial value of assets was \$.49 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 \$ 0.39 million, and the ratio of the UAAL to the covered payroll was 1.29% 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.

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 \$ 28,199.

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 \$8 to \$33,403. Refer to the Statement of Budgetary Comparison on pages 16 thru 18.

REQUIRED SUPPLEMENTARY INFORMATION

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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

June 30, 2014

(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)
7/1/13	\$ 491	\$ 496	\$ 5	98.99%	\$ 387	1.29%
7/1/11	\$ 404	\$ 414	\$ 9	97.74%	\$ 325	2.87%
7/1/09	\$ 292	\$ 305	\$ 13	95.71%	\$ 273	4.79%

OTHER SUPPLEMENTARY INFORMATION

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF BUDGETARY COMPARISON

Year ended June 30, 2014

	Budget		Actual
	Original	Final	
<u>Operating revenues</u>			
Emergency telephone service charges:			
Ben Lomand	\$ 313,000	\$ 313,000	\$ 313,025
Citizens Telecom	32,000	32,000	28,509
Other user fees	1,310	1,310	2,598
TECB - shared wireless charge	95,500	95,500	102,044
TECB - operational funding	194,037	194,037	167,214
Total operating revenues	<u>635,847</u>	<u>635,847</u>	<u>613,390</u>
<u>Operating expenses</u>			
Salaries and wages:			
Director	60,000	60,000	64,615
Administrative personnel	55,016	55,016	58,563
Dispatchers	433,000	467,570	486,368
Overtime pay	37,000	37,000	36,782
Pay bonuses	5,000	5,000	6,112
Total salaries and wages	<u>590,016</u>	<u>624,586</u>	<u>652,440</u>
Employee benefits:			
Social security	35,000	35,000	43,870
Medicare	7,400	7,400	9,781
Unemployment compensation	500	500	
Medical insurance	40,000	40,000	50,495
Retirement contributions	6,000	6,000	15,960
Total employee benefits	<u>88,900</u>	<u>88,900</u>	<u>120,106</u>
Contracted services:			
Addressing and mapping expenses	29,650	29,650	35,400
Audit services	2,500	2,500	3,000
Administrative fees	100	100	
Fiscal agent charges	9,500	9,500	11,377
Janitorial services	3,800	3,800	4,487
Legal services	6,000	6,000	6,600
Radio maintenance	280	280	2,220
Office equipment maintenance			362
Ben Lomand maintenance	5,400	5,400	4,515
Citizens maintenance	2,650	2,650	2,273
Computer mapping maintenance	16,500	16,500	32,255
NCIC/TBI/TIES expenses	4,500	4,500	6,354
Pest control	340	340	233
Tower rental			2,910
Ben Lomand equipment lease	4,270		

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2014

	Budget		Actual
	Original	Final	
Operating expenses - cont.			
Contracted services:			
Maintenance and repairs:			
communication equipment	1,000	1,000	441
building	1,250	1,250	1,309
office equipment	1,100	1,100	
vehicle	400	400	778
Generator maintenance	900	900	1,005
Yard maintenance	1,700	1,700	1,480
Total contracted services	<u>91,840</u>	<u>87,570</u>	<u>116,999</u>
Supplies and materials:			
Office supplies	2,150	2,150	3,996
Custodial supplies	1,545	1,545	1,315
Postage	290	290	190
Small equipment purchases	500	500	1,857
Utilities - electric	15,000	15,000	15,117
Utilities - gas	800	800	818
Utilities - water and sewer	600	600	588
Utilities - telephone	32,600	32,600	38,288
Utilities - cell phone and pagers	2,025	2,025	2,435
Other supplies and materials	311	311	1,135
Total supplies and materials	<u>55,821</u>	<u>55,821</u>	<u>65,739</u>
Other charges:			
Bank charges	300	300	25
Dues and memberships			7,052
Employee testing and exams	2,500	2,500	825
Insurance - workers compensation	2,450	2,450	2,150
Insurance - building and contents	12,700	12,700	11,088
Insurance - vehicles	1,100	1,100	1,108
License and fees	100	100	54
Premiums on surety bonds	1,200	1,200	1,376
EMD training	6,000	6,000	4,722
Other training	7,000	7,000	1,271
Travel	5,300	3,300	2,529
Board travel expense	2,300		
Miscellaneous	5,000	2,000	492
Total other charges	<u>45,950</u>	<u>38,650</u>	<u>32,692</u>
Depreciation	95,520	80,520	113,923
Amortization			2,850
Total operating expenses	<u>968,047</u>	<u>976,047</u>	<u>1,104,749</u>
Operating income (loss)	<u>(332,200)</u>	<u>(340,200)</u>	<u>(491,358)</u>

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2014

	Budget		Actual
	Original	Final	
Nonoperating revenues (expenses):			
Interest income	3,200	3,200	2,547
Rental income	22,000	22,000	28,199
Contributions from primary government -			
County appropriations	140,000	140,000	130,000
Contributions from City of McMinnville	140,000	140,000	140,000
TECB grants and reimbursements	44,000	44,000	140,190
Interest expense	<u>(17,000)</u>	<u>(9,000)</u>	<u>(19,995)</u>
Total nonoperating revenues (expenses)	<u>332,200</u>	<u>340,200</u>	<u>420,941</u>
Net increase (decrease) in net position	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (70,417)</u>

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

OTHER INFORMATION

June 30, 2014

The District had the following insurance in force at June 30, 2014:

<u>Type of Coverage</u>	<u>Expiration Date</u>	<u>Limit of Liability</u>
Commercial property:	August 27, 2014	
Real property		\$ 1,418,127
Personal property		546,769
Repeaters		105,977
Business income		12 months actual loss
Money & securities		30,000
Software		250,000
General liability	August 27, 2014	
General aggregate		3,000,000
Personal injury and advertising injury		1,000,000
Medical expense		5,000
Commercial umbrella liability	August 27, 2014	
		1,000,000 per occurrence
		2,000,000 aggregate
Management liability	August 27, 2014	
		1,000,000 per occurrence
		3,000,000 aggregate
		50,000 injunctive relief
Automotive liability	August 27, 2014	
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, 2014	Statutory limits

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

June 30, 2014

<u>Year ending June 30,</u>	First National Bank		
	Principal	Interest	Total
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	17,416	95	17,511
	\$ 398,567	\$ 39,196	\$ 437,763

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS

Year ended June 30, 2014

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2011-001	Segregation of Duties	Corrected
2012-001	Expenditures in excess of Appropriations	Repeated

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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 Communication District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 Warren County Emergency Communications District, a component unit of Warren County, Tennessee, as of and for the year ended June 30, 2014, 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 29, 2014.

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 opinions 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 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 any deficiencies in internal control

that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify two deficiencies in internal control, described in accompanying schedule of findings and questioned costs as items 2014-1 and 2014-2 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warren County Emergency Communications District'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* that is reported as item 2012-1 in the schedule of findings and responses.

Warren County Emergency Communications District's Response to Findings

Warren County Emergency Communications District's response 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 of 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 & Castelli
Certified Public Accountants

McMinnville, Tennessee
December 29, 2014

WARREN COUNTY EMERGENCY COMMUNICATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

Year Ending June 30, 2014

2012-1	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."
2014-1	Finding -	Internal Control
	Condition and Criteria -	Payroll is being direct deposited into employee's bank accounts prior to the pay period ending.
	Cause -	Where the employee could have their earning available on the day the payroll checks were due.
	Recommendation -	Employees earing should not be direct deposited prior to the pay period ending.
	Management's Response -	"The District's direct deposit system states that two full business days are required in order for the payments to employees to post on the date entered for the check. Accordingly, the District initiated the payroll process so that employees would be paid on the traditional pay date which in the Monday following the close of the pay period. It was our expectation and understanding of the banks and the District's direct deposit system that the payments to employees would occur on the check date specified, the Monday following the close of the pay period. Some

employee's banks posted the payments to their respective accounts before the check date that we specified. To clarify, no employee of the District was ever paid for more (or less) than he or she worked and any corrections, if necessary, were made to ensure this. Management agrees to make changes necessary in order to comply with the recommendation in the finding.

2014-2 Finding -	Internal Control
Condition and Criteria -	Several invoices and statements were paid late.
Cause -	The District experienced cash flow problems during the year.
Recommendation -	The District should consider transferring sufficient funds from its certificate of deposit to offset its cash flow problems.
Management's Response -	"We concur with the auditors' finding."

Finding 2012-1 was mentioned in last year's audit report.