

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

ANNUAL FINANCIAL REPORT

Year ended June 30, 2015

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WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

LIST OF OFFICIALS

June 30, 2015

Members of the Board of Directors at June 30, 2015 are:

| <u>Name</u> | <u>Term Expires</u> | <u>Office</u> |
|-------------------------------|---------------------|------------------------|
| Mark Gribble | October 22, 2015 | Chairman |
| Frank Rice - resigned 5/21/15 | October 22, 2017 | Vice-Chairman |
| Judy Kelsey | October 22, 2017 | Secretary |
| Gary George | October 22, 2015 | Treasurer |
| Jerry Womack | October 22, 2015 | Director |
| Herschel Wells | | Ex Officio |
| Jimmy Haley | | Ex Officio |
| Mike Neal | | Ex Officio |
| Teddy Boyd | | Ex Officio |
| Chuck Haston | | Operations Director |
| Valerie Womack | | Operations Coordinator |

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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, 2015, 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, 2015, 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-xi, the schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension to TCRS, and the schedule of contributions based on participation in the public employee pension plan of TCRS on pages 19 and 20 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 them to be essential parts 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 22-27 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information on pages 22-27 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 22-27 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The list of officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also issued our report dated November 30, 2015, 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.


Certified Public Accountants

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 2015 and should be read in conjunction with the accompanying Financial Statements and Notes to the Financial Statements.

FINANCIAL HIGHLIGHTS

Readers of prior reports will note significant changes in how operating revenues are distributed and classified. In January of 2015, legislation took effect (911 Funding Modernization Act) that established a "Base Funding" system for each District. This Base Funding system replaces the previously reported Emergency Telephone Service Charge and the Tennessee Emergency Communications Board Shared Wireless distribution. As of January 2015, Warren County's annual Base Funding amount is \$673,152. It might be helpful for readers of this report to keep in mind that the first six months of the fiscal year reflect the previous collection and distribution method, and last six months reflect the new Base Funding system. The 911 Funding Modernization Act will be discussed later in this report.

Total assets and deferred outflow of resources were \$1,506,871 and exceeded liabilities (net position) by \$1,134,252. Of the total net assets, \$229,928 was classified as unrestricted. Total assets increased in 2015 by \$20,502 and total net position was \$19,850.

The District's total operating revenues were \$554,488, a decrease of \$58,902 from the previous year. The District's Emergency Telephone Service Charge revenue decreased from \$344,132 in 2014 to \$167,628 in 2015 which is a result of the new "Base Funding Distribution" process initiated in January, 2015. The Tennessee Emergency Communications Board Shared Wireless distribution for the year ending June 30th, 2015 was \$386,860, an increase of \$284,816 from the previous year. The District received \$97,572 in grants and reimbursements during the fiscal year ending June 30th, 2015. The grants and reimbursements include funding for the recently updated Radio Communication system hardware and associated software, the "TIPS" mapping data integration project (Tennessee Information for Public Safety, an ongoing project) and various training activities.

The District requested allocations from city and county government in the amount of \$290,000 which was split evenly among the city and county (\$145,000 each) and distributed quarterly upon request. Capital contributions from the Tennessee Emergency Communications Board totaled \$55,738 in 2015. The District processed 53,463 events for the fiscal year ending June 30th, 2015 and forecasts indicate that this total will increase. As the District migrates to the NetTn network, additional pathways to 911 will be in place.

Operating expenses decreased \$113,266 over 2014. This decrease is a result of fewer staff performing a higher workloads. This practice, from a budgetary perspective only, is attractive. However, 911 Centers must carefully weigh the impact of this approach and keep in mind the

ultimate mission which is to provide emergency services to 911 callers efficiently, safely, and without delay. 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%. The capacity to financially accommodate more requests for service will not be possible without larger financial commitments from local government.

Interest income was \$697 in 2015 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 \$25,906 in 2015.

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, 2015 was \$310,199.

GENERAL TRENDS AND SIGNIFICANT EVENTS

The "911 Funding Modernization Act" became effective January 1st, 2015. This legislation seeks to financially stabilize Tennessee's 911 Districts by establishing (among other components) an annual base funding amount for each District. Additionally, the previous 911 surcharge schedule:

Landline:

Residential \$1.50 per 911 pathway

Business \$3.00 per 911 pathway

Wireless: (Cell Phones & VoIP) \$1.00

Is replaced by a single 911 surcharge for both landline and wireless technologies of \$1.16 per 911 pathway. This surcharge can be adjusted by the Legislature. Under the new legislation, all 911 surcharge collections are remitted directly to the Tennessee Emergency Communications Board and then distributed to the Districts.

As previously mentioned, a base funding level for each District was established. The base funding calculation was determined by taking a three year revenue average (fiscal years 2010, 2011, 2012), comparing this average to revenue for fiscal year 2012, and taking the higher of the two numbers. Warren County's three year average was \$658,472. The fiscal year 2012 amount was \$673,151. Therefore, after rounding, Warren County's annual base funding amount was calculated to be \$673,152. Effective January 1st, 2015, this annual amount is distributed in six (every other month) equal payments of \$112,192.

It remains to be seen if the statewide \$1.16 per 911 pathway for all technologies will be sufficient. Other states using a similar model have either increased their 911 surcharge or initially established a higher surcharge. In the opinion of the District, this is a step in the right direction and greatly simplifies cash flow monitoring.

CAPITAL ASSETS

The District's major capital assets are: Warren County 911 Communication facility 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 2015, the District had \$2,341,316 invested in capital assets, representing a net increase of \$58,018 from last year. This increase represents upgrades to the Districts' radio communication equipment and infrastructure.

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, 52% represents the District's 911 Communications Center, land and paving. Communications equipment represents 46% with the remaining 2% comprised of furniture, fixtures and the District's vehicle.

BUDGETARY ANALYSIS

For the fiscal year 2014-2015, total expenses were 3.6% less than budget due utilizing fewer employees per shift. Total income was 1.7% less than budgeted due to a decrease in capital contributions from TECB and tower rental income.

**WARREN COUNTY EMERGENCY COMMUNICATIONS
DISTRICT**

COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES

June 30th, 2014 and June 30th, 2015

| | <u>2014</u> | <u>2015</u> |
|--------------------------------------------------------|-------------------------|-------------------------|
| Operating Revenues | | |
| Emergency telephone service charges | 344,132 | 167,628 |
| ECB Shared Wireless | 102,044 | 386,860 |
| Sales-mapping | | |
| ECB Operational Funding | 167,214 | |
| <u>Total Operating Revenues</u> | <u>613,390</u> | <u>554,488</u> |
| Operating Expenses | | |
| Salaries and Wages | 652,440 | 578,326 |
| Employee Benefits | 120,106 | 92,291 |
| Contracted Services | 116,999 | 125,162 |
| Supplies and Materials | 65,739 | 66,868 |
| Other Charges | 32,692 | 29,476 |
| Depreciation | 113,923 | 96,582 |
| Amortization | <u>2,850</u> | <u>2,778</u> |
| <u>Total Operating Expenses</u> | <u>1,104,749</u> | <u>991,483</u> |
| Operating Income (loss) | <u>(491,358)</u> | <u>(436,995)</u> |
| Non-Operating Revenues (Expenses) | | |
| Capital Contributions TECB | | 55,738 |
| Interest Income | 2,547 | 697 |
| Rental Income | 28,199 | 25,906 |
| TECB Grants and Reimbursements | 44,000 | 97,572 |
| Contributions from Primary Government | 270,000 | 290,000 |
| Interest Expense | (19,995) | (16,203) |
| Pension Income | | 3,135 |
| Total Non-operating Revenues (Expenses) | <u>420,941</u> | <u>456,845</u> |
| Net Increase (decrease) in net position | <u>(70,417)</u> | <u>19,850</u> |

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

June 30th, 2014 and June 30th, 2015

| | 2014 | 2015 |
|--------------------------------------------------------------|-------------------------|--------------------------------|
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash | | |
| Unrestricted | 114,502 | 117,282 |
| Restricted | | |
| Receivable | 27,144 | 14,256 |
| Due TECB | 82,673 | |
| Net Pension Asset | | <u>114,073</u> |
| TOTAL CURRENT ASSETS | <u>224,319</u> | <u>245,611</u> |
| <u>NONCURRENT ASSETS</u> | | |
| <u>CAPITAL ASSETS</u> | | |
| Land | 78,072 | 78,072 |
| Paving | 9,883 | 9,883 |
| Building | 1,131,739 | 1,131,739 |
| Communications Equipment | 1,021,373 | 1,079,391 |
| Office Furniture and Fixtures | 19,516 | 19,516 |
| Vehicles | 22,715 | 22,715 |
| | 2,283,298 | 2,341,316 |
| Less Accumulated Depreciation | <u>1,030,211</u> | <u>1,126,793</u> |
| | 1,253,087 | 1,214,523 |
| <u>Other Asset</u> | | |
| Mapping Costs (less accumulated amortization) | 8,963 | 6,185 |
| Total Assets | <u>1,486,369</u> | <u>1,466,319</u> |
| Deferred Outflow of Resources | | |
| Pension Changes in Experience | | 34,012 |
| Pension Contribution After Measurement Date | | <u>6,540</u> |
| <u>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</u> | | <u><u>1,506,871</u></u> |

LIABILITIES

| | | |
|---------------------------------------------------------------|------------------|-------------------------|
| Current Liabilities: | | |
| Accounts payable | 64,717 | 6,696 |
| Accrued Interest payable | 491 | |
| Accrued payroll | 1,698 | 3,190 |
| Accrued vacation payable | 17,051 | 18,141 |
| Current portion of long term debt | 88,949 | 93,004 |
| Total Current Liabilities | <u>172,906</u> | <u>121,031</u> |
| <u>NONCURRENT LIABILITIES</u> | | |
| <u>Long Term Debt</u> | | |
| Note Payable (less amount due 1 yr) | 309,618 | 217,195 |
| TOTAL LIABILITIES | <u>482,524</u> | <u>338,226</u> |
| <u>DEFERRED INFLOW OF RESOURCES</u> | | |
| Pension Changes in Investment Earnings | | <u>34,393</u> |
| Net Position | | |
| Investment in capital assets | 854,520 | 904,324 |
| Unrestricted net position | <u>149,325</u> | <u>229,928</u> |
| Total Net Position | <u>1,003,845</u> | <u>1,134,252</u> |
| <u>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES</u> | | |
| <u>AND NET POSITION</u> | | <u><u>1,506,871</u></u> |

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

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

The financial statements include a statement of net position, statement of revenues, expenses, and changes in net position, a statement of cash flows, and notes to the financial statements. While the statement of net position provides information about the nature and amount resources and obligations at year end, the statement of revenues, expenses and changes in net position present the result of the business activities over the course of the fiscal year and information as to how net 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 15 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 911 Funding Modernization Act, which became effective January 1st, 2015 was a positive financial development for Tennessee's Emergency Communications Districts. This legislation effectively stops the downward revenue spiral set in motion as telephone service subscribers dropped traditional landline telephones in favor of wireless devices (cell phones). While not a complete reversal, the base funding distribution method does stabilize revenue for the Districts. The uniform 911 surcharge (for all devices) of \$1.16 can be amended by the Legislature should it become necessary. The uniform rate increased the wireless 911 surcharge and decreased the landline 911 surcharge. This is fair given that on average, 85% of all 911 calls come from cell phones and major capital expenditures were required to provide technology capable of processing and locating 911 calls from cell phones.

The financial condition of the Warren County Emergency Communications District remains strong. However, close attention to matters such as employee overtime and staffing requirements will be necessary. The new 911 base funding system better equips the District to forecast cash flow, plan for capital expenditures and long-term financial strategies.

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, 2015

| | | <u>ASSETS</u> | |
|-------------------------------------------------------------|--|------------------------------------------------|---------------------|
| <u>CURRENT ASSETS</u> | | | |
| Cash | | | \$ 37,001 |
| Certificate of deposit | | | 80,281 |
| Payroll tax refund receivable | | | 1,142 |
| Accounts receivable | | | 12,969 |
| Interest receivable | | | 145 |
| Net pension asset | | | <u>114,073</u> |
| | | TOTAL CURRENT ASSETS | 245,611 |
| <u>NONCURRENT ASSETS</u> | | | |
| <u>Capital Assets</u> | | | |
| Land | | \$ 78,072 | |
| Paving | | 9,883 | |
| Building | | 1,131,739 | |
| Communications equipment | | 1,079,391 | |
| Office furniture and fixtures | | 19,516 | |
| Vehicles | | <u>22,715</u> | |
| | | 2,341,316 | |
| Less accumulated depreciation | | <u>1,126,793</u> | 1,214,523 |
| <u>Other Asset</u> | | | |
| Mapping costs (less accumulated amortization of \$ 226,742) | | | <u>6,185</u> |
| | | TOTAL ASSETS | <u>1,466,319</u> |
| <u>DEFERRED OUTFLOW OF RESOURCES</u> | | | |
| Pension changes in experience | | 34,012 | |
| Pension contribution after measurement date | | <u>6,540</u> | <u>40,552</u> |
| | | TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES | <u>\$ 1,506,871</u> |

See Independent Auditors' Report and Notes to Financial Statements.

| | | <u>LIABILITIES</u> | |
|-----------------------------------------|---------------------------------------------------------------------|--------------------|-------------------------|
| <u>CURRENT LIABILITIES</u> | | | |
| Accounts payable | | \$ | 6,696 |
| Accrued payroll | | | 3,190 |
| Accrued vacation payable | | | 18,141 |
| Current portion of long term debt | | | <u>93,004</u> |
| | TOTAL CURRENT LIABILITIES | | 121,031 |
| <u>NONCURRENT LIABILITIES</u> | | | |
| <u>Long Term Debt</u> | | | |
| Note payable | \$ | 310,199 | |
| Less amount due in one year | | <u>93,004</u> | <u>217,195</u> |
| | TOTAL LIABILITIES | | <u>338,226</u> |
| <u>DEFERRED INFLOW OF RESOURCES</u> | | | |
| Pension changes in investment earnings | | | <u>34,393</u> |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets | | 904,324 | |
| Unrestricted net position | | <u>229,928</u> | <u>1,134,252</u> |
| | TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION | \$ | <u><u>1,506,871</u></u> |

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year ended June 30, 2015

| | | |
|-------------------------------------------------------------------|---------------------------------|------------------|
| Operating revenues: | | |
| Emergency telephone service charges | \$ | 167,628 |
| Tennessee Emergency Communications Board - Shared Wireless Charge | | 386,860 |
| TOTAL OPERATING REVENUES | | 554,488 |
| Operating expenses: | | |
| Salaries and wages | \$ | 578,326 |
| Employee benefits | | 92,291 |
| Contracted services | | 125,162 |
| Supplies and materials | | 66,868 |
| Other charges | | 29,476 |
| Depreciation | | 96,582 |
| Amortization | | 2,778 |
| | | 991,483 |
| | Operating income (loss) | (436,995) |
| Nonoperating revenues (expenses): | | |
| Interest income | | 697 |
| Rental income | | 25,906 |
| TECB - grants and reimbursements | | 97,572 |
| Interest expense | | (16,203) |
| Pension income | | 3,135 |
| | | 111,107 |
| Capital contributions: | | |
| Contributions from primary government - County appropriations | | 145,000 |
| Contributions from City of McMinnville | | 145,000 |
| Capital contributions from TECB | | 55,738 |
| | | 345,738 |
| | Increase in net position | 19,850 |
| Net position at July 1, 2014 - restated due to GASB 68 | | 1,114,402 |
| Net position at June 30, 2015 | \$ | 1,134,252 |

Depreciation of property, plant and equipment was computed by the straight line method and amounted to \$ 96,582.

Interest incurred during the year amounted to \$ 16,203. 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, 2015

| | |
|------------------------------------------------------------------|--------------------------------|
| Cash flows from operating activities: | |
| Cash received from Surchargers and Other Revenues | \$ 568,491 |
| Cash received from tower rental | 25,906 |
| Cash paid to suppliers of goods and services | (379,500) |
| Cash paid to employees for services | <u>(575,744)</u> |
| NET CASH USED BY OPERATING ACTIVITIES | (360,847) |
| Cash flows from non-capital financing activities - | |
| Transfers from primary government | \$ 145,000 |
| Transfers from the City of McMinnville | 145,000 |
| Grants and reimbursements from TECB | <u>235,983</u> |
| NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES | 525,983 |
| Cash flows from capital and related financing activities: | |
| Purchase of equipment | (58,018) |
| Payments on notes payable | (88,368) |
| Interest paid on notes payable | <u>(16,694)</u> |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | (163,080) |
| Cash flows from investing activities - | |
| Purchase of certificates of deposit | (528) |
| Investment income | <u>724</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 196 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,252 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>34,749</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ <u><u>37,001</u></u> |

See Independent Auditors' Report and Notes to Financial Statements.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

Year ended June 30, 2015

| | | |
|-----------------------------------------------------------------------------------|---------------------------------------|----------------------------|
| Reconciliation of operating income to cash flows from operating activities | | |
| Operating loss | | \$ (436,995) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | \$ 99,360 | |
| Tower rental | 25,906 | |
| Changes in pension assets and deferred pension inflows and outflows | (6,540) | |
| Decrease(Increase) in operating assets: | | |
| Accounts receivable | 14,003 | |
| Payroll tax refund receivable | (1,142) | |
| Increase(Decrease) in operating liabilities: | | |
| Accounts payable | (58,021) | |
| Accrued expenses | <u>2,582</u> | |
| | TOTAL ADJUSTMENTS | <u>76,148</u> |
| | NET CASH USED BY OPERATING ACTIVITIES | \$ <u><u>(360,847)</u></u> |

See Independent Auditors' Report and Notes to Financial Statements.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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, 2015

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, 2015

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Warren County Emergency Communications District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Warren County Emergency Communications District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 \$ 182,127 with carrying amount of \$ 117,282. Of this amount, \$80,281 was invested in a certificate of deposit which bears interest at .6% annually. 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, 2014</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance at June 30, 2015</u> |
|---------------------------------|------------------------------------|--------------------|-------------------|-------------------------------------|
| Assets not being depreciated: | | | | |
| Land | \$ 78,072 | | | \$ 78,072 |
| Assets being depreciated: | | | | |
| Paving | 9,883 | | | 9,883 |
| Building | 1,131,739 | | | 1,131,739 |
| Communications equipment | 1,021,373 | \$ 58,018 | | 1,079,391 |
| Office furniture & fixtures | 19,516 | | | 19,516 |
| Vehicles | 22,715 | | | 22,715 |
| | <u>2,283,298</u> | <u>58,018</u> | | <u>2,341,316</u> |
| <u>Accumulated Depreciation</u> | | | | |
| Paving | 9,883 | | | 9,883 |
| Building | 233,082 | 29,754 | | 262,836 |
| Communications equipment | 746,247 | 66,056 | | 812,303 |
| Office furniture & fixtures | 18,284 | 772 | | 19,056 |
| Vehicles | 22,715 | | | 22,715 |
| | <u>1,030,211</u> | <u>96,582</u> | | <u>1,126,793</u> |
| | \$ <u>1,253,087</u> | \$ <u>(38,564)</u> | | \$ <u>1,214,523</u> |

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 \$ 2,778.

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, 2015 was \$ 310,199.

| | | |
|--------------------------|----|-----------------------|
| Balance at July 1, 2014 | \$ | 398,567 |
| Payments | | <u>(88,368)</u> |
| Balance at June 30, 2015 | \$ | <u><u>310,199</u></u> |

The note payable matures as follows:

| <u>Year ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|--------------------------|-------------------------|--------------------------|
| 2016 | \$ 93,004 | \$ 12,059 | \$ 105,063 |
| 2017 | 97,308 | 7,755 | 105,063 |
| 2018 | 101,891 | 3,173 | 105,064 |
| 2019 | <u>17,996</u> | <u>810</u> | <u>18,806</u> |
| Total | <u><u>\$ 310,199</u></u> | <u><u>\$ 23,797</u></u> | <u><u>\$ 333,996</u></u> |

Note H -General Information about the Pension Plan

Plan Description

Employees of Warren County Emergency Communications District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note H - EMPLOYEE PENSION - continued

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

| | |
|------------------------------------------------------------------|-------|
| Inactive employees or beneficiaries currently receiving benefits | 1 |
| Inactive employees entitled to but not yet receiving benefits | 10 |
| Active employees | 17 |
| | <hr/> |
| | 28 |
| | <hr/> |

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Warren County Emergency Communications District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Warren County Emergency Communications District were \$ 6,540 based on a rate of 1.18 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Warren County Emergency Communications District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note H - EMPLOYEE PENSION - continued

Net Pension Liability (Asset)

Warren County Emergency Communications District's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|----------------------------------------------------------------------------------------------------------|
| Inflation | 3.0 percent |
| Salary increases | Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent |
| Investment rate of return | 7.5 percent, net of pension plan investment expenses, including inflation |
| Cost-of-Living Adjustment | 2.5 percent |

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note H - EMPLOYEE PENSION - continued

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Target Allocation</u> |
|---------------------------------------|---------------------------------------------------|------------------------------|
| U.S. equity | 6.46% | 33% |
| Developed market international equity | 6.26% | 17% |
| Emerging market international equity | 6.40% | 5% |
| Private equity and strategic lending | 4.61% | 8% |
| U.S. fixed income | 0.98% | 29% |
| Real estate | 4.73% | 7% |
| Short-term securities | 0.00% | 1% |
| | | <u>100%</u> |

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Warren County Emergency Communications District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

| | Total Pension Liability (a) | Increase (Decrease) Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
|------------------------------------------------------------------|-----------------------------------|--------------------------------------------------------------|-----------------------------------------------|
| Balance at 6/30/13 | \$ 350,555 | \$ 449,685 | \$ (99,130) |
| Changes for the year: | | | |
| Service cost | 37,942 | | 37,942 |
| Interest | 29,064 | | 29,064 |
| Differences between expected and actual experience | 38,264 | | 38,264 |
| Contributions - employer | | 11,427 | (11,427) |
| Contributions - employees | | 31,162 | (31,162) |
| Net investment income | | 78,219 | (78,219) |
| Benefit payments, including refunds of employee contributions | (1,964) | (1,964) | - |
| Administrative expense | | (595) | 595 |
| Net changes | <u>103,306</u> | <u>118,249</u> | <u>(14,943)</u> |
| Balance at 6/30/14 | <u>\$ 453,861</u> | <u>\$ 567,934</u> | <u>\$ (114,073)</u> |

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note H - EMPLOYEE PENSION - continued

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of Warren County Emergency Communications District calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

| | <u>1% Decrease (6.5%)</u> | <u>Current Discount Rate (7.5%)</u> | <u>1% Increase (8.5%)</u> |
|---------------------------------------------------------------------------------------|-------------------------------|---------------------------------------------|-------------------------------|
| Warren County Emergency Communications District's net pension liability (asset) | \$ 168 | \$ (114,073) | \$ (201,338) |

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows
of Resources Related to Pensions

Pension income

For the year ended June 30, 2015, Warren County Emergency Communications District recognized pension income of \$ 3,135.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Warren County Emergency Communications District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|-------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience | \$ 34,012 | |
| Net difference between projected and actual earnings on pension plan investments | | \$ 34,393 |
| Contributions subsequent to the measurement date of June 30, 2014 | 6,540 | |
| Total | <u>\$ 40,552</u> | <u>\$ 34,393</u> |

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note H - EMPLOYEE PENSION - continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---------------------|---------|
| Year ended June 30: | |
| 2016 | (4,346) |
| 2017 | (4,346) |
| 2018 | (4,346) |
| 2019 | (4,346) |
| 2020 | 4,252 |
| Thereafter | 12,756 |

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015, Warren County Emergency Communications District reported a payable of \$3,939 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

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 \$ 25,906

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.

REQUIRED SUPPLEMENTARY INFORMATION

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Year ending June 30, 2015

| | 2014 |
|----------------------------------------------------------------------------------|--------------------------|
| Total pension liability | |
| Service cost | \$ 37,942 |
| Interest | 29,064 |
| Changes in benefit terms | |
| Differences between actual & expected experience | 38,264 |
| Change of assumptions | |
| Benefit payments, including refunds of employee contributions | (1,964) |
| Net change in total pension liability | <u>103,306</u> |
| Total pension liability - beginning | <u>350,555</u> |
| Total pension liability - ending (a) | <u><u>\$ 453,861</u></u> |
| | |
| Plan fiduciary net position | |
| Contributions - employer | \$ 11,427 |
| contributions - employee | 31,162 |
| Net investment income | 78,219 |
| Benefit payments, including refunds of employee contributions | (1,964) |
| Administrative expense | (595) |
| Net change in plan fiduciary net position | <u>118,249</u> |
| Plan fiduciary net position - beginning | <u>449,685</u> |
| Plan fiduciary net position - ending (b) | <u><u>\$ 567,934</u></u> |
| | |
| Net Pension Liability (asset) - ending (a) - (b) | <u><u>\$ 114,073</u></u> |
| | |
| Plan fiduciary net position as a percentage of total pension liability | 125.13% |
| | |
| Covered - employee payroll | \$ 623,240 |
| | |
| Net pension liability (asset) as a percentage of covered-employee payroll | 18.30% |

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Year ending June 30, 2015

| | 2014 | 2015 |
|----------------------------------------------------------------------|------------|------------|
| Actuarially determined contribution | \$ 11,427 | \$ 6,540 |
| Contributions in relation to the actuarially determined contribution | 11,427 | 6,460 |
| Contribution deficiency (excess) | \$ - | \$ 80 |
| Covered-employee payroll | \$ 623,240 | \$ 554,249 |
| Contributions as a percentage covered-employee payroll | 1.83% | 1.18% |

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactive. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|----------------------------------------------------------------------------------------------------------|
| Actuarial cost method | Frozen initial liability |
| Amortization method | Level dollar, closed (not to exceed 20 years) |
| Remaining amortization period | 2 years |
| Asset valuation | 10-year smoothed within a 20 percent corridor to market value |
| Inflation | 3.0 percent |
| Salary increases | Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent |
| Investment Rate of Return | 7.5 percent, net of investment expense, including inflation |
| Retirement age | Pattern of retirement determined by experience study |
| Mortality | Customized table based on actual experience including an adjustment for some anticipated improvement |
| Cost of Living Adjustments | 2.5 percent |

OTHER SUPPLEMENTARY INFORMATION

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF BUDGETARY COMPARISON

Year ended June 30, 2015

| | Budget | | Actual |
|--------------------------------------|----------------|----------------|----------------|
| | Original | Final | |
| <u>Operating revenues</u> | | | |
| TECB Distribution of 911 surcharges | | | \$ 336,576 |
| Emergency telephone service charges: | | | |
| Ben Lomand | \$ 338,143 | \$ 338,143 | 151,837 |
| Citizens Telecom | 33,000 | 33,000 | 14,358 |
| Other user fees | 2,600 | 2,645 | 1,433 |
| TECB - shared wireless charge | 97,000 | 97,000 | 50,284 |
| Total operating revenues | <u>470,743</u> | <u>470,788</u> | <u>554,488</u> |
| <u>Operating expenses</u> | | | |
| Salaries and wages: | | | |
| Director | 60,000 | 60,000 | 60,000 |
| Administrative personnel | 57,500 | 57,500 | 56,185 |
| Dispatchers | 473,554 | 419,938 | 413,896 |
| Overtime pay | 27,000 | 42,480 | 42,480 |
| Pay bonuses | 5,000 | 5,765 | 5,765 |
| Total salaries and wages | <u>623,054</u> | <u>585,683</u> | <u>578,326</u> |
| Employee benefits: | | | |
| Social security | 35,000 | 36,138 | 36,139 |
| Medicare | 8,800 | 8,800 | 8,348 |
| Medical insurance | 48,000 | 48,000 | 47,804 |
| Retirement contributions | 9,000 | 9,000 | |
| Total employee benefits | <u>100,800</u> | <u>101,938</u> | <u>92,291</u> |
| Contracted services: | | | |
| Addressing and mapping expenses | 35,400 | 35,400 | 35,400 |
| Audit services | 3,000 | 3,450 | 3,450 |
| Administrative fees | | | |
| Fiscal agent charges | 9,010 | 4,833 | 4,833 |
| Janitorial services | 4,000 | 4,480 | 4,480 |
| Legal services | 6,000 | 6,600 | 6,600 |
| Radio maintenance | 2,000 | 2,450 | 2,450 |
| Office equipment maintenance | 275 | 275 | 212 |
| Ben Lomand maintenance | 5,400 | 5,400 | 2,194 |
| Citizens/Frontier maintenance | 2,650 | 2,650 | 1,892 |
| Computer mapping maintenance | 30,000 | 41,554 | 41,554 |
| NCIC/TBI/TIES expenses | 6,500 | 6,500 | 4,392 |
| Pest control | 340 | 340 | 120 |
| Tower rental | 3,000 | 3,070 | 3,070 |
| Ben Lomand equipment lease | 4,720 | 4,720 | 2,180 |
| DeKalb Cooperative maintenance | | 401 | 401 |
| Maintenance agreements | | 5,322 | 5,322 |
| Language interpreting | | 64 | 64 |

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2015

| | Budget | | Actual |
|-----------------------------------|------------------|------------------|------------------|
| | Original | Final | |
| Operating expenses - cont. | | | |
| Contracted services: | | | |
| Maintenance and repairs: | | | |
| communication equipment | 1,000 | 1,000 | |
| building | 2,000 | 3,831 | 3,831 |
| vehicle | 200 | 200 | |
| Generator maintenance | 1,005 | 1,462 | 1,462 |
| Yard maintenance | 1,500 | 1,500 | 1,255 |
| Total contracted services | <u>118,000</u> | <u>135,502</u> | <u>125,162</u> |
| Supplies and materials: | | | |
| Office supplies | 2,160 | 2,891 | 2,891 |
| Custodial supplies | 1,545 | 1,545 | 1,186 |
| Postage | 175 | 175 | 147 |
| Small equipment purchases | 1,500 | 1,500 | 829 |
| Uniforms and shirts | 350 | 350 | |
| Utilities - electric | 15,000 | 15,000 | 14,776 |
| Utilities - gas | 825 | 825 | 668 |
| Utilities - water and sewer | 600 | 641 | 641 |
| Utilities - telephone | 40,000 | 44,067 | 44,067 |
| Utilities - cell phone and pagers | 2,200 | 2,200 | 1,084 |
| Other supplies and materials | 300 | 469 | 579 |
| Total supplies and materials | <u>64,655</u> | <u>69,663</u> | <u>66,868</u> |
| Other charges: | | | |
| Bank charges | | 504 | 345 |
| Dues and memberships | 7,500 | 4,329 | 4,329 |
| Employee testing and exams | 1,000 | 1,000 | 745 |
| Insurance - workers compensation | 2,450 | 2,450 | 1,971 |
| Insurance - building and contents | 12,800 | 12,312 | 11,609 |
| Insurance - vehicles | 1,100 | 1,100 | 865 |
| License and fees | | 93 | 93 |
| Premiums on surety bonds | 1,500 | 1,738 | 1,376 |
| Service awards | 200 | 578 | 578 |
| EMD training | 5,000 | 2,307 | 645 |
| Other training | 4,000 | 4,000 | 1,671 |
| Travel | 2,500 | 4,638 | 4,638 |
| Board travel expense | 1,000 | 1,060 | 384 |
| Other charges | 2,500 | | |
| Miscellaneous | 400 | 400 | 227 |
| Total other charges | <u>41,950</u> | <u>36,509</u> | <u>29,476</u> |
| Depreciation | 90,000 | 96,582 | 96,582 |
| Amortization | | 2,778 | 2,778 |
| Total operating expenses | <u>1,038,459</u> | <u>1,028,655</u> | <u>991,483</u> |
| Operating income (loss) | <u>(567,716)</u> | <u>(557,867)</u> | <u>(436,995)</u> |

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BUDGETARY COMPARISON SCHEDULE

Year ended June 30, 2015

| | Budget | | Actual |
|------------------------------------------------|----------------|----------------|------------------|
| | Original | Final | |
| Nonoperating revenues (expenses): | | | |
| Interest income | 400 | 400 | 697 |
| Rental income | 30,000 | 30,000 | 25,906 |
| TECB grants and reimbursements | 64,212 | 64,212 | 97,572 |
| Interest expense | (8,750) | (18,599) | (16,203) |
| Pension income | | | 3,135 |
| | <hr/> | <hr/> | <hr/> |
| Total nonoperating revenues (expenses) | 85,862 | 76,013 | 111,107 |
| | <hr/> | <hr/> | <hr/> |
| Capital contributions: | | | |
| Contributions from primary government - | | | |
| County appropriations | 145,000 | 145,000 | 145,000 |
| Contributions from City of McMinnville | 145,000 | 145,000 | 145,000 |
| Capital contributions from TECB | 191,854 | 191,854 | 55,738 |
| | <hr/> | <hr/> | <hr/> |
| Total capital contributions | 481,854 | 481,854 | 345,738 |
| | <hr/> | <hr/> | <hr/> |
| Net increase (decrease) in net position | \$ 0 | \$ 0 | \$ 19,850 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

OTHER INFORMATION

June 30, 2015

The District had the following insurance in force at June 30, 2015:

| <u>Type of Coverage</u> | <u>Expiration Date</u> | <u>Limit of Liability</u> |
|----------------------------------------|---------------------------|----------------------------------------------------|
| Commercial property: | August 27, 2015 | |
| Real property | | \$ 1,418,127 |
| Personal property | | 547,691 |
| Repeaters | | 105,977 |
| Business income | | 12 months actual loss |
| Money & securities | | 30,000 |
| Software | | 250,000 |
| General liability | August 27, 2015 | |
| General aggregate | | 3,000,000 |
| Personal injury and advertising injury | | 1,000,000 |
| Medical expense | | 5,000 |
| Commercial umbrella liability | August 27, 2015 | |
| | | 1,000,000 per occurrence |
| | | 2,000,000 aggregate |
| Management liability | August 27, 2015 | |
| | | 1,000,000 per occurrence |
| | | 3,000,000 aggregate |
| | | 50,000 injunctive relief |
| Automotive liability | August 27, 2015 | |
| 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, 2015 | Statutory limits |
| Director's bond | June 30, 2016 | 50,000 |

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

June 30, 2015

| <u>Year ending June 30,</u> | First National Bank | | |
|-----------------------------|----------------------------|-----------------|--------------|
| | Principal | Interest | Total |
| 2016 | \$ 93,004 | \$ 12,059 | \$ 105,063 |
| 2017 | 97,308 | 7,755 | 105,063 |
| 2018 | 101,891 | 3,173 | 105,064 |
| 2019 | 17,996 | 810 | 18,806 |
| | \$ 310,199 | \$ 23,797 | \$ 333,996 |

WARREN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS

Year ended June 30, 2015

| <u>Finding Number</u> | <u>Finding Title</u> | <u>Status</u> |
|-----------------------|------------------------------------------------|---------------|
| 2012-001 | Expenditures in excess of Appropriations | Corrected |
| 2014-001 | Payroll deposited prior to ending payroll date | Repeated |
| 2014-002 | Invoices and statements paid late | Corrected |

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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, 2015, 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 November 30, 2015.

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 one deficiency in internal control, described in accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warren County Emergency Communications District's financial statements are free 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 no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 & Cantrell

Certified Public Accountants

McMinnville, Tennessee
November 30, 2015

WARREN COUNTY EMERGENCY COMMUNICATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

Year Ending June 30, 2015

| | | |
|----------|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2014-001 | 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 earning should not be direct deposited prior to the pay period ending. While this is a repeat finding, it was corrected early in the fiscal year. It was repeated in order to give our employees time to adjust to the change in the way they were being paid. |
| | Management's Response - | "We concur with the auditors' finding." |

Finding 2014-001 was mentioned in last year's audit report.