

SUMNER COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sumner County Emergency Communications District
Gallatin, Tennessee

I have audited the accompanying statement of net assets of the Sumner County Emergency Communications District, a component unit of Sumner County, Tennessee as of June 30, 2011, and the related statement of revenues, expenses and changes in net assets, and statement of cash flows for the year then ended. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sumner County Emergency Communications District as of June 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 19, 2012, on my consideration of the Sumner County Emergency Communications District's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sumner County Emergency Communications District's financial statements as a whole. The accompanying information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Sumner County Emergency Communications District has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. My opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in black ink that reads "D. Gregory Johnson, CPA". The signature is written in a cursive style.

D. Gregory Johnson, CPA
Columbia, Tennessee
January 19, 2012

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF MANAGEMENT AND BOARD OF DIRECTORS
YEAR ENDED JUNE 30, 2011**

Management Officials

Richard W. Shaffer, Jr., Director

Tonya Jetton, Assistant

Board of Directors

Archie McKinnis, Board Chairman, Citizen

Jimmy Anderson, Vice Chairman, Citizen

Bill Kemp, Secretary/Treasurer, County Clerk

Anthony Holt, County Executive

Paul Freels, Commissioner

Billy Still, Citizen

Jerry Stone, Commissioner

Ben Harris, Commissioner

Bob Pospisil, Commissioner

SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

Current assets	
Cash and equivalents	\$ 2,076,588
Accounts receivable	32,239
Prepaid expense	17,413
	<hr/>
Total current assets	2,126,240
	<hr/>
Capital assets	
Land	1,000,000
Furniture and fixtures	1,300
Office equipment	3,663
Communications equipment	2,718,900
	<hr/>
	3,723,863
Less accumulated depreciation	(1,636,011)
	<hr/>
Total capital assets	2,087,852
	<hr/>
Total assets	<u><u>\$ 4,214,092</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 208,193
Deferred revenue	1,000,000
	<hr/>
Total current liabilities	1,208,193
	<hr/>
Net assets	
Invested in capital assets	2,087,852
Unrestricted net assets	918,047
	<hr/>
Total net assets	3,005,899
	<hr/>
Total liabilities and net assets	<u><u>\$ 4,214,092</u></u>

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

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011**

Operating revenue	
Emergency telephone service charges	\$ 410,840
State emergency communications board - shared wireless	284,452
State emergency communications board - operational funding	409,095
Total revenue	1,104,387
 Operating expenses	
Contracted services	735,335
Supplies and materials	25,312
Other charges	49,293
Depreciation	102,747
Total operating expenses	912,687
Net operating income	191,700
 Nonoperating revenue (expense)	
Interest income	26,744
TECB grants and reimbursements	426,104
Insurance reimbursement	19,877
Net nonoperating income	472,725
Increase in net assets	664,425
Net assets, beginning of year	2,341,474
Net assets, end of year	\$ 3,005,899

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

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011**

Cash flows from operating activities	
Receipts from surcharges	\$ 1,151,565
Payments to suppliers	<u>(830,164)</u>
Net cash provided by operating activities	<u>321,401</u>
Cash flows from noncapital financing activities	
Proceeds from grants and reimbursements	<u>445,981</u>
Cash flows from capital and related financing activities	
Cash purchases of capital assets	<u>(701,624)</u>
Cash flows from investing activities	
Interest income	30,189
Cash proceeds from certificates of deposit	1,026,802
Cash purchases of certificates of deposit	<u>(12,109)</u>
Net cash provided by investing activities	<u>1,044,882</u>
Net increase in cash	1,110,640
Cash and equivalents, beginning of year	<u>965,948</u>
Cash and equivalents, end of year	<u><u>\$ 2,076,588</u></u>
Reconciliation of operating income to net cash flows from operating activities	
Net operating income	\$ 191,700
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	102,747
Decrease in accounts receivable	47,178
Increase in prepaid expenses	(17,413)
Decrease in accounts payable	<u>(2,811)</u>
Net cash provided by operating activities	<u><u>\$ 321,401</u></u>

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

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Sumner County Emergency Communications District (the District) is a political sub-division created in November 1986. The District was organized to provide emergency communication to all fire and law enforcement departments of Sumner County. Although the District is considered a municipality under its enabling legislation, it cannot levy or collect taxes and the charges for services shall not be considered or classified as taxes. The District is managed by a nine-member board of directors who are appointed by the Sumner County Board of County Commissioners. Sumner County maintains controlling interest on the District board in that six of the nine board members must consist of the County Executive, the County Clerk, and four members of the Sumner County Board of County Commissioners.

The District is a discretely presented component unit of Sumner County, Tennessee, and the financial statements are presented in both the District's separate financial report and within the Sumner County, Tennessee financial report. The District is considered a discretely presented component unit of Sumner County as defined under the criteria set forth in Governmental Accounting Standards Board Statement 14, because the district would be unable to issue debt without going through Sumner County, Tennessee. The District is self-supported by a telephone subscriber fee charged to the citizens of Sumner County. The District's financial statements include only the assets and operations of the District, and do not include any other fund, organization, agency or department of Sumner County.

Basis of Accounting and Financial Statement Presentation

The term basis of accounting is used to determine when a transaction or event is recognized on the District's operating statement. The District uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The Governmental Accounting Standards Board (GASB) exercises jurisdiction over accounting and financial reporting for governments. The Financial Accounting Standards Board (FASB) exercises jurisdiction over private enterprises and nonprofits. The Office of the Comptroller of the Treasury requires Tennessee emergency communications districts to follow option one of GASB Statement No. 20. This option requires the District to follow only GASB guidance after November 30, 1989, and not follow any FASB guidance after that date.

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments*. Statement 34 established standards for external reporting for all state and local governmental entities, which includes a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted.

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

**NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Basis of Accounting and Financial Statement Presentation (continued)

These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of net assets and the statement of cash flows, Sumner County Emergency Communications District considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Capital Assets

Capital assets are defined by the District as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Additions to capital assets are recorded at acquisition cost or estimated market value at the date of donation in the case of donated property. Depreciation and amortization are provided for in amounts sufficient to relate the cost of the assets to operations over their estimated service lives using the half-year convention, straight-line method of depreciation.

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

**NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Capital Assets (continued)

Estimated useful lives, in years, for depreciable assets are as follows:

Building and improvements	10 - 40 years
Furniture and fixtures	7 years
Office equipment	5 - 10 years
Communications equipment	5 - 10 years
Vehicles	5 years

Income Taxes

Sumner County Emergency Communications District is a tax-exempt organization under Section 115 of the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

Operating Revenues and Expenses

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a District's principal ongoing operations. The principal operating revenues of the District are emergency telephone service charges to residents for providing emergency 911 services. Operating expenses include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgetary Data

The District is required by state statute to adopt an annual budget. Prior to the beginning of the fiscal year, the Board of Directors prepares an operating budget and submits to the Sumner County Commission for approval. The annual budget is prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenses must be presented at the legal level of control, which is defined to be at the line-item level. The District utilizes cash basis accounting for the budget as depreciation is not budgeted, and outlays for capital items are budgeted as expenses. Therefore the budget is not intended to be presented in accordance with generally accepted accounting principles. The budget may be amended by the Board as conditions warrant throughout the year.

NOTE B – CASH AND DEPOSITORY COLLATERAL

The District's current policies limit deposit of funds to accounts with commercial banks which are required to pledge securities as collateral for the deposits should they be in excess of Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000.

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

NOTE B – CASH AND DEPOSITORY COLLATERAL (CONTINUED)

The financial institutions used by the District have either pledged securities as collateral or the institutions are participants in the Tennessee Collateral Pool, which was established to provide security for public funds deposits in excess of FDIC coverage. At year-end, all of the District's deposits were fully insured by the FDIC and the Tennessee Collateral Pool.

The District's investment policy follows state law which authorizes investments for emergency communications districts in Tennessee Code Annotated Section 5-8-301. State statutes authorize the District to invest in obligations of the federal government, federal agencies, state government, the state investment pool, certificates of deposit, other time deposits, and repurchase agreements, which require the approval of the State Director of Local Finance.

NOTE C – ACCOUNTS RECEIVABLE

The following schedule reflects the components of accounts receivable as of June 30, 2011:

Emergency telephone service charges	<u><u>\$ 32,239</u></u>
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NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, is presented below:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Land	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
Furniture and fixtures	1,300	-	-	1,300
Office equipment	3,663	-	-	3,663
Communications equipment	1,940,549	909,817	(131,466)	2,718,900
Total cost	<u>1,945,512</u>	<u>1,909,817</u>	<u>(131,466)</u>	<u>3,723,863</u>
Less accumulated depreciation for:				
Furniture and fixtures	(1,180)	(120)	-	(1,300)
Office equipment	(3,663)	-	-	(3,663)
Communications equipment	(1,659,887)	(102,627)	131,466	(1,631,048)
Total accumulated depreciation	<u>(1,664,730)</u>	<u>(102,747)</u>	<u>131,466</u>	<u>(1,636,011)</u>
Capital assets, net	<u><u>\$ 280,782</u></u>	<u><u>\$ 1,807,070</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,087,852</u></u>

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

NOTE D – CAPITAL ASSETS (CONTINUED)

Depreciation charged to expense for the current year amounted to \$102,747. In the current year, fully depreciated assets that were replaced and no longer used by the District with an original cost of \$131,466 were adjusted from the fixed asset records.

The District made \$909,817 of additions to communications equipment in the current year. At June 30, 2011, cash payments of \$701,624 had been made, with the balance of these additions of \$208,193 included in accounts payable.

NOTE E – LAND DONATION AND DEFERRED REVENUE

A private citizen transferred and donated to the District, a 10 acre tract of land along Long Hollow Pike in Sumner County, Tennessee on December 20, 2010. The value of the land at the date of donation was \$1,000,000. The District received the parcel of land with the intention of purchasing additional adjoining land to build a consolidated dispatch center facility. The District has applied for a grant to assist with the funding for the project, but as of January 19, 2012, the grant approval was still pending.

Since the donated tract of land was to be used as part of the grant application process, a one-year option was granted to the District to purchase the adjoining 10 acre tract of land for \$2,000,000. Should the District not receive the grant and the second 10 acre parcel of land not be purchased, the original donated 10 acre parcel would be quitclaimed back to the donor. In November 2011, the donor extended the option for one year.

Due to the uncertain and contingent nature of the land conveyance, the acquisition of the land deed has been recorded by the District as deferred revenue in the financial statements until all events related to the transaction have been satisfied.

NOTE F – DESIGNATION OF NET ASSETS

During the current year, the Board of Directors voted to designate \$2,000,000 of unrestricted net assets for the potential purchase of property for the construction of a consolidated 911 center. Due to its current financial obligations related to the new NG-911 equipment purchased, the Board approved on July 11, 2011, the temporary payment of these obligations out of the previously designated amount until loan proceeds for the equipment have been received.

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

NOTE G – MAJOR REVENUE SOURCE

Revenue for operation and maintenance of the Sumner County Emergency Communications District is generated by a surcharge placed on residential and business phone lines. The surcharge is collected by AT&T Telephone Company and remitted to the District monthly less a 3% administrative fee. In the current year, revenue from AT&T Telephone Company represented approximately 29% of total operating revenue. The Tennessee Emergency Communications Board collects the revenue from wireless phone users and distributes 25% of the funds to the Emergency Communications Districts based on the proportion of the population of each district to that of the state, according to the latest census. The Tennessee Emergency Communications Board also distributes additional amounts as part of the operational funding program to assist districts with the basic costs of 911 service.

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. For the year ended June 30, 2011, the District was insured against potential losses associated with these risks through the purchase of commercial insurance policies written for Sumner County or the other governmental departments serviced by the District. There have been no material losses in excess of insurance coverage during the last three years.

NOTE I – SERVICE ARRANGEMENT CONTRACT

The District has negotiated a service application with AT&T Telecommunications for the installation and service of an Enhanced 911 Emergency Service System. AT&T furnishes equipment and service sufficient to operate the system for an initial installation fee and a monthly fee based upon the number of telephone stations and access lines served by the System. As of June 30, 2011, the District had prepaid costs of \$17,413. Current year amounts charged to expense by the District for use of this equipment was \$602,470.

NOTE J – OPERATIONAL CONTRACT

The District has contracted with S & S Communications, Inc., for all day-to-day supervision and clerical operations of the District. This contract is negotiated annually on July 1 and is reflected in these financial statements as a Director and Assistant contract of \$93,984. All calls processed by the District communication system are processed by dispatchers located at various, police, fire, or medical emergency stations. All dispatchers are employees of the respective emergency departments.

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

NOTE K – COMMITMENTS

On March 16, 2011, the District signed an agreement with VisionAir, Inc., for the purchase, installation, and implementation of the new NG-911 controller communication hardware and software. The total contract amount is \$2,370,872. As of June 30, 2011, the District had incurred contract costs totaling \$889,369, which represents approximately 38% of the total contract.

NOTE L– SUBSEQUENT EVENT

On September 15, 2011, the Tennessee Director of State and Local Finance approved for the Sumner County government to issue the Sumner County Emergency Communications District Capital Outlay Notes, Series 2011, in the amount of \$1,871,872, dated October 14, 2011. The interfund capital outlay notes bear interest at 4% per annum and are payable by the District to the County in monthly payments of \$34,455 over five years. The purpose of the notes is to assist with the funding of the hardware, software, setup, and training costs associated with the District's purchase of NG-911 communication equipment and software totaling \$2,370,872.

SUPPLEMENTARY INFORMATION

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2011**

Contracted Services

Accounting services	3,600
Address & mapping	19,147
Audit services	4,950
Communications equipment maintenance	3,072
Director & assistant contract	93,984
Fees paid to service providers	3,312
Leased communications equipment	602,470
Leased facilities	4,800
	<u>735,335</u>

Supplies and Materials

Office supplies	561
Postage	93
Small equipment purchases	23,003
Uniforms	408
Utilities	
General telephone	887
Cell phones and pagers	360
	<u>25,312</u>

Other Charges

Dues and memberships	2,060
Licenses and fees	729
Training	21,458
Travel	24,748
Private road signs	298
	<u>49,293</u>

Depreciation

<u>102,747</u>
<u><u>\$ 912,687</u></u>

See auditor's report.

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Favorable (Unfavorable)</u>
Operating revenue				
Emergency telephone service charges	\$ 361,020	\$ 415,068	\$ 410,840	\$ (4,228)
State emergency communications board - shared wireless	331,008	331,008	284,452	(46,556)
State emergency communications board - operational funding	<u>307,908</u>	<u>307,908</u>	<u>409,095</u>	<u>101,187</u>
	<u>999,936</u>	<u>1,053,984</u>	<u>1,104,387</u>	<u>50,403</u>
Operating expenses				
Contracted services				
Accounting services	3,600	3,600	3,600	-
Address & mapping	19,992	19,992	19,147	845
Advertising	156	156	-	156
Audit services	4,956	4,956	4,950	6
Communications equipment maintenance	3,600	3,600	3,072	528
Director & assistant contract	93,984	93,984	93,984	-
Fees paid to service provider	4,800	4,356	3,312	1,044
Leased communications equipment	710,040	623,256	602,470	20,786
Leased facilities	4,800	4,800	4,800	-
Legal services	408	408	-	408
	<u>846,336</u>	<u>759,108</u>	<u>735,335</u>	<u>23,773</u>
Supplies and materials				
Office supplies	720	720	561	159
Postage	96	96	93	3
Small equipment purchases	30,000	23,004	23,003	1
Uniforms	408	408	408	-
Utilities				
General telephone	840	900	887	13
Cell phones and pagers	360	360	360	-
	<u>32,424</u>	<u>25,488</u>	<u>25,312</u>	<u>176</u>

See auditor's report.

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance With Final Favorable (Unfavorable)
Other charges				
Claims and judgments	5,004	1,020	-	1,020
Dues and memberships	1,680	2,064	2,060	4
Licenses and fees	-	729	729	-
Public education	120	120	-	120
Service awards	108	108	-	108
Training	43,980	23,976	21,458	2,518
Travel	24,936	24,936	24,748	188
Private road signs	396	396	298	98
	76,224	53,349	49,293	4,056
Total operating expenses	954,984	837,945	809,940	28,005
Operating revenues in excess of expenses	44,952	216,039	294,447	78,408
Nonoperating revenue (expenses)				
Interest income	14,976	14,976	26,744	11,768
TECB grants and reimbursements	9,996	426,096	426,104	8
Insurance reimbursement	-	-	19,877	19,877
Equipment purchases	(50,000)	(708,561)	(701,624)	6,937
Total nonoperating revenue (expenses)	(25,028)	(267,489)	(228,899)	38,590
Increase (decrease) in budgetary net assets	\$ 19,924	\$ (51,450)	\$ 65,548	\$ 116,998
 Budget to Actual Reconciliation				
Increase in budgetary net assets			\$ 65,548	
Equipment purchases not deducted as expenditures			701,624	
Depreciation not budgeted			(102,747)	
Actual increase in net assets			\$ 664,425	

See auditor's report.

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2011**

<u>Grantor Agency</u>	<u>Program</u>	<u>Amount Received</u>
Tennessee Emergency Communications Board	GIS	\$ 10,000
Tennessee Emergency Communications Board	Equipment reimbursement	<u>416,104</u>
		<u><u>\$ 426,104</u></u>

See auditor's report.

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

204 WEST 4TH STREET, SUITE B
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Sumner County Emergency Communications District
Gallatin, Tennessee

I have audited the financial statements of the Sumner County Emergency Communications District as of and for the year ended June 30, 2011, and have issued my report thereon dated January 19, 2012. I conducted my audit in accordance with auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Sumner County Emergency Communications District's, internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sumner County Emergency Communications District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Sumner County Emergency Communications District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weaknesses* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sumner County Emergency Communications District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and management's comments as item 2011-1.

Sumner County Emergency Communications District's response to the finding identified in my audit is described in the accompanying schedule of findings and management's comments. I did not audit the District's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the board of directors of the Sumner County Emergency Communications District, its management and others within the organization, and the Comptroller of the Treasury of the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "D. Gregory Johnson, CPA". The signature is written in a cursive style with a large, prominent initial "D".

D. Gregory Johnson, CPA
Columbia, Tennessee
January 19, 2012

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND MANAGEMENT'S COMMENTS
YEAR ENDED JUNE 30, 2011**

Finding 2011-1 - District Funds Used to Erect Signs on Private Property

The District spent funds for road signs in violation of the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*, which prohibits the use of District funds for the "cost of purchasing, installation, and maintenance for public or private road signs, posts, or any other markers related to addressing". (This was also a finding at June 30, 2010.)

Recommendation

I recommend the District develop solutions to its addressing and mapping that will comply with all of the requirements of the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* regarding the use of 911 revenue.

Management's Comments

These signs were erected on private property due to multiple homes sharing a driveway and are not provided by the County. Due to the State's request to not pay for private road signs, the Board has voted to no longer fund them.