

MAURY COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

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

CONTENTS

	Page
Independent Auditor's Report.....	1
Roster of Management and Board of Directors.....	3
Management's Discussion and Analysis.....	4
Financial Statements:	
Statement of Net Assets.....	8
Statement of Revenues, Expenses and Changes in Net Assets.....	9
Statement of Cash Flows.....	10
Notes to Financial Statements.....	11
Required Supplementary Information:	
Schedule of Funding Progress.....	19
Supplementary Information:	
Schedule of Operating Expenses.....	21
Schedule of Revenues, Expenses and Changes in Net Assets Budget and Actual.....	23
Other Independent Auditor's Reports	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

204 WEST 4TH STREET, SUITE B
COLUMBIA, TENNESSEE 38401

TELEPHONE 931-381-7010
FAX 931-381-3752

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Maury County Emergency Communications District
Columbia, Tennessee

I have audited the accompanying statement of net assets of the Maury County Emergency Communications District, a component unit of Maury 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 Maury 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 December 12, 2011, on my consideration of the Maury 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, and the schedule of funding progress for pension on page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Maury County Emergency Communications District's financial statements as a whole. The accompanying supplementary information on pages 21 through 25 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying 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.

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

D. Gregory Johnson, CPA
Columbia, Tennessee
December 12, 2011

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

Management Officials

Freddie W. Rich, Director

Susan R. Mitchell, Assistant Director

Ann Hargrove, Administrative Assistant

Board of Directors

Danny Fleming, Board Chairman

Tim Potts, Vice Chairman

Thelma Sharp, Secretary/Treasurer

Enoch George, Member

Edward Harlan, Member

Tom Wilson, Member

Mark Blackwood, Member

Rick Hamilton, Member

Lee Bergeron, Member

**MAURY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

As management of the Maury County Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2011. Please read it in conjunction with the District's financial statements, which follow this section.

Overview of the Financial Statements

This annual report includes the management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities. The Statement of Net Assets includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligations to the District's creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the District

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in them. One can think of the District's net assets – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. The District is providing condensed financial information for fiscal 2011 and 2010 for comparative analysis. A summary of the District's net assets and changes in them is presented on the following page.

**MAURY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

SUMMARIZED FINANCIAL INFORMATION
YEARS ENDED JUNE 30th

NET ASSETS				
	2011	2010	Dollar Change	Percentage Change
Current assets	\$ 744,070	\$ 677,553	\$ 66,517	9.8%
Capital assets	778,196	807,009	(28,813)	-3.6%
Total assets	1,522,266	1,484,562	37,704	2.5%
Current liabilities	35,985	27,108	8,877	32.7%
Net Assets	\$ 1,486,281	\$ 1,457,454	\$ 28,827	2.0%
Summary of net assets-				
Invested in capital assets	\$ 778,196	\$ 807,009	\$ (28,813)	-3.6%
Unrestricted	708,085	650,445	57,640	8.9%
	\$ 1,486,281	\$ 1,457,454	\$ 28,827	2.0%
CHANGES IN NET ASSETS				
Revenues	\$ 1,365,336	\$ 1,360,940	\$ 4,396	0.3%
Operating expenses	1,339,184	1,238,432	100,752	8.1%
Operating income (loss)	26,152	122,508	(96,356)	-78.7%
Nonoperating revenues net of expenses	2,675	23,977	(21,302)	88.8%
Changes in net assets	28,827	146,485	(117,658)	-80.3%
Net assets, beginning of year	1,457,454	1,310,969	146,485	11.2%
Net assets, end of year	\$ 1,486,281	\$ 1,457,454	\$ 28,827	2.0%

**MAURY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

Analysis of Financial Position and Results of Operations

As can be seen from the summarized financial information on the previous page, the District's total assets have increased \$37,704 during the year ended June 30, 2011, which includes a \$179,930 decrease in cash, a \$250,000 increase in certificates of deposit, a \$1,975 decrease in receivables, and a \$1,578 decrease in prepaid expenses. Net capital assets decreased \$28,813 as a result of additions to depreciation of \$67,660 with net additions to fixed assets of \$38,847. Net assets increased \$28,827 for the year ended June 30, 2011. In the current year, the District's total revenue increased slightly by 0.3% due mainly to decreases in collections of AT&T revenue. Total expenses for the District increased 8.1% due primarily to an increase in insurance costs and scheduled salary and employee benefit increases. The District joined the Tennessee Consolidated Retirement System effective October 1, 2005. Retirement expenses for the year ended June 30, 2011, totaled \$68,581.

The District's Net Assets

The District completed the year with net assets of \$1,486,281, which is \$28,827 more than the prior year's ending net assets of \$1,457,454. The net assets at June 30, 2011, consist of \$778,196 invested in capital assets, and \$708,085 unrestricted and undesignated.

Budgetary Highlights

The District adopts an annual operating budget which includes proposed expenses and the means for paying these expenses. As conditions change during the year, the budget may be amended to prevent budget overruns.

Income from residential and business phone lines decreased 11.69% from the previous year. Normal state shared wireless income increased 3.2% during the year. The Tennessee Emergency Communications Board operational funding amounted to \$295,803, which included \$30,000 for training and mapping. This brought the total income from wireless sources to \$477,194. There has been proposed legislation that could change the ratio remitted to local districts. Other landline income and voice over internet protocol income increased by \$3,174 during the year. Overall, operating revenue increased \$4,396 over the prior year.

Total expenditures in most budget categories remained in line with a few exceptions. Salaries and wages were \$484 less than final budgeted amounts. Employee benefit costs paid and accrued were \$373 less than budgeted amounts. Repairs and maintenance for the building and communications equipment were in line with budgeted amounts.

Capital Assets

The District's current investment in capital assets amounts to \$1,125,218 with accumulated depreciation of \$347,022. Capital assets include the building, communications equipment, a vehicle, as well as office furniture and office equipment. Current year additions amounted to \$38,847, and there were no retirements in the year ended June 30, 2011.

**MAURY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

Economic Factors and Future Needs

The main economic factor facing the Maury County Emergency Communications District is the decrease in revenue generated from land line telephones. Many residences now use cell phones for their residential lines. While the increase in cell phone use is generating revenue, only a portion of that revenue has been returned to each 911 district under the current system being used by the State for distributing shared wireless fees. A new source of telephone service, voice over internet protocol, may further reduce the number of land lines and cell phone usage. The future impact on revenue of this new service has not been determined.

The public safety industry as a whole is taking a critical look at technology that will fundamentally change the way 911 calls will be delivered, processed, and dispatched. The potential for faster and more efficient 911 service through a state of the art high speed digital network system known as *Next Generation 911* will be effecting all communications districts in the near future. The impact on revenue as well as the cost of system upgrades remains to be determined.

Request for Information

This financial report is designed to provide a general overview of the Maury County Emergency Communications District's finances for those interested parties. If you have questions about this report or need additional information, contact the Director, Maury County Emergency Communications District, P.O. Box 1171, Columbia, Tennessee 38402-1171.

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

ASSETS

Current assets

Cash and equivalents	\$ 306,684
Certificates of deposit	400,000
Accounts receivable	37,386
	744,070
Total current assets	744,070

Capital assets

Land	74,380
Buildings	494,705
Office equipment	32,010
Furniture and fixtures	4,662
Communications equipment	493,214
Vehicles	26,247
	1,125,218
Less accumulated depreciation	(347,022)
	778,196
Total capital assets	778,196
Total assets	\$ 1,522,266

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 17,205
Accrued expenses	18,780
	35,985
Total current liabilities	35,985

Net assets

Invested in capital assets	778,196
Unrestricted net assets	708,085
	1,486,281
Total net assets	1,486,281
Total liabilities and net assets	\$ 1,522,266

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

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

Operating revenue

Emergency telephone service charges	\$ 443,964
State emergency communications board - shared wireless	181,391
State emergency communications board - operational funding	295,803
Emergency support services	238,168
Other income	206,010
	<hr/>
Total revenue	1,365,336

Operating expenses

Salaries and wages	779,590
Employee benefits	287,559
Contracted services	133,404
Supplies and materials	36,542
Other charges	34,429
Depreciation	67,660
	<hr/>
Total operating expenses	1,339,184

Net operating income 26,152

Nonoperating revenue (expense)

Interest income	2,675
	<hr/>

Increase in net assets 28,827

Net assets, beginning of year 1,457,454

Net assets, end of year \$ 1,486,281

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

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

Cash flows from operating activities	
Receipts from surcharges	\$ 923,134
Receipts from emergency support services	238,168
Payments to suppliers	(196,137)
Payments to employees	(1,064,933)
Other receipts (payments)	<u>206,010</u>
Net cash provided by operating activities	<u>106,242</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	<u>(38,847)</u>
Cash flows from investing activities	
Interest income	2,675
Purchases of certificates of deposit	<u>(250,000)</u>
Net cash used by investing activities	<u>(247,325)</u>
Net decrease in cash	(179,930)
Cash and equivalents, beginning of year	<u>486,614</u>
Cash and equivalents, end of year	<u><u>\$ 306,684</u></u>
 Reconciliation of operating income to net cash flows from operating activities	
Net operating income	\$ 26,152
Adjustments to reconcile net operating income to net cash provided by operating activities	
Depreciation	67,660
Decrease in accounts receivable	1,975
Decrease in prepaid expenses	1,578
Increase in accounts payable	8,239
Increase in accrued expenses	<u>638</u>
Net cash provided by operating activities	<u><u>\$ 106,242</u></u>

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Maury County Emergency Communications District is a nonprofit organization, established under Tennessee law. The District was organized to provide Emergency 911 service to the residents of Maury County. While 911 has been in use for several years for emergency services, the Enhanced 911 was adopted for Maury County by public referendum on August 4, 1988. The voters of Maury County voted for E911 with an approval majority of 92%. 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 volunteer board of directors who are appointed by the District's primary government.

The District is a discretely presented component unit of Maury County, Tennessee, and the financial statements are presented in both the District's separate financial report and within the Maury County, Tennessee financial report. The District is considered a discretely presented component unit of Maury 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 Maury County, Tennessee.

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.

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. Accordingly, actual results could differ from those estimates.

**MAURY 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)**

Cash and Cash Equivalents

For purposes of the statement of net assets and the statement of cash flows, Maury 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 \$500 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 straight-line method of depreciation. 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

Maury 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 payroll expenses, 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. 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.

**MAURY 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)**

Budgetary Data (Continued)

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.

Compensated Absences

It is the policy of the District that unused leave at the end of a fiscal year does not carry over to the next year. Vacation and sick leave expenditures are recognized when paid. Therefore, no accrual for accumulated unpaid leave is necessary.

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. The financial institution used by the District is a participant in the Tennessee Collateral Pool, which was established to provide security for public funds deposits in excess of FDIC coverage. At year-end the District's deposits of cash and certificates of deposit were fully insured by the FDIC or collateralized by the Tennessee Collateral Pool.

State statutes authorize the District to invest in (1) U.S. government securities and obligations guaranteed by the U.S. government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; (3) the Local Government Investment Pool of the State of Tennessee; (4) obligations of the United States or its agencies under repurchase agreements with certain restrictions.

The District has not adopted formal deposit or investment policies for exposure to various forms of risks associated with its deposit and investment practices, other than to follow the State of Tennessee statutes as described above.

NOTE C – CERTIFICATES OF DEPOSIT

At June 30, 2011, certificates of deposit are as follows:

First Farmers & Merchants Bank, 0.50% maturing November 4, 2011	\$ 150,000
First Farmers & Merchants Bank, 1.20% maturing September 14, 2011	100,000
First Farmers & Merchants Bank, 1.20% maturing September 14, 2011	100,000
First Farmers & Merchants Bank, 1.20% maturing September 14, 2011	50,000
	<u>\$ 400,000</u>

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

NOTE D – ACCOUNTS RECEIVABLE

The following schedule reflects the components of accounts receivable as of June 30, 2010:

Emergency telephone service charges	<u>\$ 37,386</u>
-------------------------------------	------------------

NOTE E – CAPITAL ASSETS

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

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Land	\$ 74,380	\$ -	\$ -	\$ 74,380
Buildings	493,082	1,623	-	494,705
Office equipment	32,010	-	-	32,010
Furniture and fixtures	3,482	1,180	-	4,662
Communications equipment	457,170	36,044	-	493,214
Vehicles	26,247	-	-	26,247
Total cost	1,086,371	38,847	-	1,125,218
Less accumulated depreciation for:				
Buildings	(48,584)	(12,350)	-	(60,934)
Office equipment	(4,560)	(1,605)	-	(6,165)
Furniture and fixtures	(1,182)	(400)	-	(1,582)
Communications equipment	(210,047)	(48,055)	-	(258,102)
Vehicles	(14,989)	(5,250)	-	(20,239)
Total accumulated depreciation	(279,362)	(67,660)	-	(347,022)
Capital assets, net	\$ 807,009	\$ (28,813)	\$ -	\$ 778,196

Depreciation charged to expense for the current year amounted to \$67,660.

NOTE F – ACCRUED EXPENSES

Accrued expenses at June 30, 2011, consist of the following:

Accrued payroll	\$ 13,505
Accrued payroll taxes	<u>5,275</u>
	<u>\$ 18,780</u>

**MAURY 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 Maury 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 33% of total operating revenue. In fiscal year 2000, the District began collecting revenue generated by wireless phone users. The Tennessee Emergency Communications Board collects the revenue 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 – PENSION EXPENSE

Plan Description

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

Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Maury County Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

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

NOTE H – PENSION EXPENSE (CONTINUED)

Funding Policy

The Maury County Emergency Communications District requires employees to contribute 5.0 percent of earnable compensation.

The Maury County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011, was 9.92% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Maury County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2011, the Maury County Emergency Communications District's annual pension cost of \$68,581 to TCRS was equal to the Maury County Emergency Communications District's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The Maury County Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 16 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 68,581	100.00%	\$0.00
June 30, 2010	\$ 59,467	100.00%	\$0.00
June 30, 2009	\$ 50,969	100.00%	\$0.00

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

NOTE H – PENSION EXPENSE (CONTINUED)

Funding Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 51.93% percent funded. The actuarial accrued liability for benefits was \$0.5 million, and the actuarial value of assets was \$0.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.5 million, and the ratio of the UAAL to the covered payroll was 48.46% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

NOTE I – 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; injuries to employees; 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 for management liability and through a blanket general liability policy purchased by Maury County. There have been no losses in excess of insurance coverage during the last three years.

REQUIRED SUPPLEMENTARY INFORMATION

**MAURY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2011**

The following is the Schedule of Funding Progress for the Maury County Emergency Communications District.

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 1, 2009	\$ 248	\$ 478	\$ 230	51.93%	\$ 474	48.46%
July 1, 2007	\$ 107	\$ 192	\$ 85	55.73%	\$ 416	20.43%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

SUPPLEMENTARY INFORMATION

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

Salaries and Wages

Director	\$ 67,893
Assistant director	54,880
Administrative personnel	49,888
Telecommunicators	599,502
Longevity	7,427
	<hr/>
	779,590

Employee Benefits

Social security	48,335
Medicare	11,304
Life insurance	1,960
Medical insurance	143,872
Medical reimbursement plan	12,797
Unemployment compensation	710
Retirement contributions	68,581
	<hr/>
	287,559

Contracted Services

Audit services	2,500
Accounting services	2,500
Janitorial services	5,200
Maintenance agreements	43,367
Data base maintenance	51,900
NCIC/TBI expenses	8,000
Other consultants	7,932
Pest control	475
Copier lease	1,508
Repairs - communications equipment	744
Repairs - building	4,812
Repairs - office equipment	673
Vehicle operation/maintenance	3,793
	<hr/>
	133,404

See auditor's report.

**MAURY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2011**

Supplies and Materials

Office supplies	6,505
Postage	220
Small equipment purchases	1,337
Uniforms & shirts	2,499
Utilities	
Electric and water	13,787
General telephone	8,408
Cell phones and pagers	3,786
	<u>36,542</u>

Other Charges

Bank charges	731
Board meeting expenses	23
Dues and memberships	940
Insurance	
Workers' compensation	2,247
Liability	4,266
Buildings and contents	7,732
Vehicles	1,324
Public education	3,420
Service awards	1,730
Training	10,112
Travel	285
Internet	1,619
	<u>34,429</u>

Depreciation

67,660

\$ 1,339,184

See auditor's report.

**MAURY 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 (Cash Basis)</u>	<u>Variance With Final Favorable (Unfavorable)</u>
Operating revenue				
Emergency telephone service charges	\$ 467,760	\$ 467,760	\$ 445,939	\$ (21,821)
State emergency communications board - shared wireless	173,700	173,700	181,391	7,691
State emergency communications board - operational funding	295,802	295,802	295,803	1
Emergency support services	238,198	238,198	238,168	(30)
Other income	198,000	198,000	206,010	8,010
	<u>1,373,460</u>	<u>1,373,460</u>	<u>1,367,311</u>	<u>(6,149)</u>
Operating expenses				
Salaries and wages				
Director	67,674	67,674	67,674	-
Assistant director	54,703	54,703	54,703	-
Administrative personnel	49,727	49,727	49,727	-
Telecommunicators	596,018	597,518	597,034	484
Longevity	7,427	7,427	7,427	-
	<u>775,549</u>	<u>777,049</u>	<u>776,565</u>	<u>484</u>
Employee benefits				
Social security	48,084	48,084	48,147	(63)
Medicare	11,245	11,245	11,260	(15)
Life insurance	2,420	2,220	1,960	260
Medical insurance	140,980	143,880	143,872	8
Medical reimbursement plan	16,000	14,100	12,462	1,638
Unemployment compensation	-	750	710	40
Retirement contributions	69,763	68,663	60,652	8,011
	<u>288,492</u>	<u>288,942</u>	<u>279,063</u>	<u>9,879</u>
Contracted services				
Audit services	2,500	2,500	2,500	-
Accounting services	2,500	2,500	2,400	100
Janitorial services	4,600	4,800	4,800	-
Legal services	2,000	500	-	500
Maintenance agreements	40,500	43,500	43,367	133
Data base maintenance	51,960	51,960	51,870	90
NCIC/TBI expenses	9,150	8,000	8,000	-
Other consultants	7,000	8,150	7,932	218
Pest control	360	360	450	(90)
Copier lease	1,600	1,600	1,508	92
Repairs - communications equipment	2,000	2,000	767	1,233
Repairs - building	5,000	5,000	4,812	188
Repairs - office equipment	1,500	750	673	77
Vehicle operation/maintenance	4,000	4,000	3,732	268
	<u>134,670</u>	<u>135,620</u>	<u>132,811</u>	<u>2,809</u>

See auditor's report.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Cash Basis)</u>	<u>Variance With Final Favorable (Unfavorable)</u>
Supplies and materials				
Office supplies	8,000	8,000	6,807	1,193
Postage	300	300	220	80
Small equipment purchases	3,000	3,000	1,337	1,663
Uniforms & shirts	3,000	2,550	2,499	51
Utilities				
Electric and water	14,000	14,000	13,838	162
General telephone	8,400	8,400	8,212	188
Cell phones and pagers	3,400	3,850	3,791	59
	<u>40,100</u>	<u>40,100</u>	<u>36,704</u>	<u>3,396</u>
Other charges				
Bank charges	700	700	731	(31)
Board meeting expenses	300	300	11	289
Dues and memberships	1,200	1,050	940	110
Employee testing	1,200	1,200	-	1,200
Insurance				
Workers' compensation	3,000	2,250	2,247	3
Liability	3,700	4,275	4,266	9
Buildings and contents	7,400	7,725	7,732	(7)
Vehicles	1,267	1,267	1,324	(57)
Public education	2,500	2,500	2,310	190
Service awards	2,000	2,000	1,730	270
Training	20,000	17,100	10,112	6,988
Travel	4,000	4,000	285	3,715
Internet	1,850	1,850	1,619	231
	<u>49,117</u>	<u>46,217</u>	<u>33,307</u>	<u>12,910</u>
Total operating expenses	<u>1,287,928</u>	<u>1,287,928</u>	<u>1,258,450</u>	<u>29,478</u>
Operating revenues in excess of expenses	<u>85,532</u>	<u>85,532</u>	<u>108,861</u>	<u>23,329</u>
Nonoperating revenue (expenses)				
Interest income	3,915	3,915	2,675	(1,240)
Capital expenditures	(40,000)	(40,000)	(38,847)	1,153
Total nonoperating revenue (expense)	<u>(36,085)</u>	<u>(36,085)</u>	<u>(36,172)</u>	<u>(87)</u>
Increase in budgetary net assets	49,447	49,447	72,689	23,242
Budgetary net assets, beginning of year	<u>1,457,454</u>	<u>1,457,454</u>	<u>1,457,454</u>	<u>-</u>
Budgetary net assets, end of year	<u>\$ 1,506,901</u>	<u>\$ 1,506,901</u>	<u>\$ 1,530,143</u>	<u>\$ 23,242</u>

See auditor's report.

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

Budget to Actual Reconciliation

Increase in budgetary net assets	\$ 72,689
Capital expenditures	38,847
Depreciation not budgeted	(67,660)
Accrual adjustment for accounts receivable	(1,975)
Accrual adjustment for prepaid expenses	(1,578)
Accrual adjustment for accounts payable	(8,239)
Accrual adjustment for accrued expenses	(3,257)
	<hr/>
Actual increase in net assets	<u>\$ 28,827</u>

See auditor's report.

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

204 WEST 4TH STREET, SUITE B
COLUMBIA, TENNESSEE 38401

TELEPHONE 931-381-7010
FAX 931-381-3752

**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
Maury County Emergency Communications District
Columbia, Tennessee

I have audited the financial statements of the Maury County Emergency Communications District as of and for the year ended June 30, 2011, and have issued my report thereon dated December 12, 2011. 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 Maury 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 Maury County Emergency Communications District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Maury 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 Maury 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors of the Maury 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.

D. Gregory Johnson, CPA
Columbia, Tennessee
December 12, 2011