

SUMNER COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012**

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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, 2012, 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, 2012, 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 21, 2013, 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 with a large, prominent "D" and "J".

D. Gregory Johnson, CPA
Columbia, Tennessee
January 21, 2013

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF MANAGEMENT AND BOARD OF DIRECTORS
YEAR ENDED JUNE 30, 2012**

Management Officials

Richard W. Shaffer, Jr., Director

Tonya Jetton, Assistant Director

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, 2012**

ASSETS

Current assets

Cash and equivalents	\$ 3,071,428
Accounts receivable	25,954
	3,097,382
Total current assets	3,097,382

Capital assets

Furniture and fixtures	1,300
Office equipment	3,663
Communications equipment	2,475,463
	2,480,426
Less accumulated depreciation	(379,440)
	2,100,986
Total capital assets	2,100,986
Total assets	\$ 5,198,368

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 29,151
Current portion of long-term debt	354,208
	383,359
Total current liabilities	383,359

Long-term debt, less current portion shown above

	1,288,263
Total liabilities	1,671,622

Net assets

Invested in capital assets, net of related debt	429,364
Unrestricted net assets	3,097,382
	3,526,746
Total net assets	3,526,746
Total liabilities and net assets	\$ 5,198,368

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, 2012**

Operating revenue	
Emergency telephone service charges	\$ 525,497
State emergency communications board - shared wireless	368,629
State emergency communications board - operational funding	345,113
Total revenue	1,239,239
 Operating expenses	
Contracted services	579,288
Supplies and materials	3,200
Other charges	28,876
Depreciation	203,109
Total operating expenses	814,473
Net operating income	424,766
 Nonoperating revenue (expense)	
Interest income	24,997
TECB grants and reimbursements	121,244
Loss on disposal of equipment	(2,921)
Interest expense	(47,239)
Net nonoperating income	96,081
Increase in net assets	520,847
Net assets, beginning of year	3,005,899
Net assets, end of year	\$ 3,526,746

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

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012**

Cash flows from operating activities	
Receipts from surcharges	\$ 1,245,524
Payments to suppliers	<u>(593,951)</u>
Net cash provided by operating activities	<u>651,573</u>
Cash flows from noncapital financing activities	
Proceeds from grants and reimbursements	<u>121,244</u>
Cash flows from capital and related financing activities	
Cash purchases of capital assets	(1,399,086)
Proceeds from capital outlay note	1,870,872
Principal paid on capital outlay note	(228,401)
Interest paid on capital outlay note	(47,239)
Proceeds from the sale of equipment	<u>880</u>
Net cash provided by capital and related financing activities	<u>197,026</u>
Cash flows from investing activities	
Interest income	<u>24,997</u>
Net increase in cash	994,840
Cash and equivalents, beginning of year	<u>2,076,588</u>
Cash and equivalents, end of year	<u><u>\$ 3,071,428</u></u>
Reconciliation of operating income to net cash flows from operating activities	
Net operating income	\$ 424,766
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	203,109
Decrease in accounts receivable	6,285
Decrease in prepaid expenses	<u>17,413</u>
Net cash provided by operating activities	<u><u>\$ 651,573</u></u>
Noncash Capital and Related Financing Activities	
Capital asset purchases financed in accounts payable	<u><u>\$ 29,151</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, 2012**

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, 2012**

NOTE A – 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, 2012**

NOTE A – 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, 2012**

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, 2012:

Emergency telephone service charges	<u><u>\$ 25,954</u></u>
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NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, is presented below:

	Balance <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2012</u>
Land	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -
Furniture and fixtures	1,300	-	-	1,300
Office equipment	3,663	-	-	3,663
Communications equipment	<u>2,718,900</u>	<u>1,220,044</u>	<u>(1,463,481)</u>	<u>2,475,463</u>
Total cost	<u>3,723,863</u>	<u>1,220,044</u>	<u>(2,463,481)</u>	<u>2,480,426</u>
Less accumulated depreciation for:				
Furniture and fixtures	(1,300)	-	-	(1,300)
Office equipment	(3,663)	-	-	(3,663)
Communications equipment	<u>(1,631,048)</u>	<u>(203,109)</u>	<u>1,459,680</u>	<u>(374,477)</u>
Total accumulated depreciation	<u>(1,636,011)</u>	<u>(203,109)</u>	<u>1,459,680</u>	<u>(379,440)</u>
Capital assets, net	<u><u>\$ 2,087,852</u></u>	<u><u>\$ 1,016,935</u></u>	<u><u>\$ (1,003,801)</u></u>	<u><u>\$ 2,100,986</u></u>

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE D – CAPITAL ASSETS (CONTINUED)

Depreciation charged to expense for the current year amounted to \$203,109. In the current year, the District disposed of old communications equipment and replaced with new.

The District made \$1,220,044 of current year additions to communications equipment. At June 30, 2012, cash payments of \$1,190,893 had been made, with the balance of these additions of \$29,151 included in accounts payable. The District also made cash payments of \$208,193 on prior year additions included in the beginning of the year accounts payable balance.

The \$1,000,000 tract of land donated in the previous year included an option to purchase additional land and was contingent on the receipt of a grant by Sumner County, Tennessee. The option eventually expired before the receipt of the grant, and as required by the agreement, the land reverted back to the original owner (see Note E).

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. Sumner County, Tennessee had applied for a grant to assist with the funding for the project.

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. The donor later extended the option for one year. When the final option expired, receipt of the County's grant was still pending; therefore, the 10 acre parcel was quitclaimed back to the donor as originally required by the agreement. Due to the uncertain and contingent nature of the land conveyance, the donation of the land deed had been recorded by the District as deferred revenue of \$1,000,000 in the financial statements until all events related to the transaction had been satisfied. When the land reverted back to the original owner, the land and deferred revenue were adjusted from the financial statements.

NOTE F – LONG-TERM DEBT

Long-term debt consists of the Sumner County Interfund Capital Outlay Note, Series 2011, in the amount of \$1,870,872, dated October 14, 2011. The interfund capital outlay note bears interest at 4% per annum and is payable by the District to the County in monthly installments of \$34,455 over five years. The note is secured by the revenues and reserves of the District.

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE F – LONG-TERM DEBT (CONTINUED)

The purpose of the capital outlay note 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.

A summary of long-term debt activity for the year ended June 30, 2012 is as follows:

Sumner County Interfund Capital Outlay Note

<u>Dated</u>	<u>Rate</u>	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Amount Due Within One Year</u>
Series 2011	4.000%	\$ -	\$ 1,870,872	\$ 228,401	\$ 1,642,471	\$ 354,208
Less current maturities					(354,208)	
Total noncurrent liabilities					<u>\$ 1,288,263</u>	

The annual requirements to amortize long-term debt outstanding as of June 30, 2012 are as follows:

<u>Years ending June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 354,208	\$ 59,252	\$ 413,460
2014	368,639	44,821	413,460
2015	383,657	29,803	413,460
2016	399,288	14,172	413,460
2017	136,679	1,139	137,818
	<u>\$1,642,471</u>	<u>\$ 149,187</u>	<u>\$1,791,658</u>

Interest charged to expense amounted to \$47,239 for the year ended June 30, 2012.

NOTE G – MAJOR REVENUE SOURCES

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.

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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, 2012, 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. Current year amounts charged to expense by the District for use of this equipment was \$410,187.

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 \$96,804. 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.

SUPPLEMENTARY INFORMATION

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2012**

Contracted Services

Accounting services	3,708
Address & mapping	47,865
Audit services	4,950
Communications equipment maintenance	292
Director & assistant contract	96,804
Fees paid to service providers	10,682
Leased communications equipment	410,187
Leased facilities	4,800
	<u>579,288</u>

Supplies and Materials

Office supplies	516
Postage	317
Small equipment purchases	838
Uniforms	300
Utilities	
General telephone	869
Cell phones and pagers	360
	<u>3,200</u>

Other Charges

Dues and memberships	780
Training	3,994
Travel	24,102
	<u>28,876</u>

Depreciation

203,109

\$ 814,473

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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Favorable (Unfavorable)</u>
Operating revenue				
Emergency telephone service charges	\$ 479,508	\$ 479,508	\$ 525,497	\$ 45,989
State emergency communications board - shared wireless	342,000	342,000	368,629	26,629
State emergency communications board - operational funding	<u>358,776</u>	<u>358,776</u>	<u>345,113</u>	<u>(13,663)</u>
	<u>1,180,284</u>	<u>1,180,284</u>	<u>1,239,239</u>	<u>58,955</u>
Operating expenses				
Contracted services				
Accounting services	3,708	3,708	3,708	-
Address & mapping	49,956	49,956	47,865	2,091
Advertising	156	156	-	156
Audit services	4,956	4,956	4,950	6
Communications equipment maintenance	32,004	25,392	292	25,100
Director & assistant contract	96,804	96,804	96,804	-
Fees paid to service provider	4,800	10,740	10,682	58
Leased communications equipment	442,476	529,524	410,187	119,337
Leased facilities	4,800	4,800	4,800	-
Legal services	408	408	-	408
	<u>640,068</u>	<u>726,444</u>	<u>579,288</u>	<u>147,156</u>
Supplies and materials				
Office supplies	504	540	516	24
Postage	96	420	317	103
Small equipment purchases	22,020	1,200	838	362
Uniforms	300	300	300	-
Utilities				
General telephone	840	900	869	31
Cell phones and pagers	360	360	360	-
	<u>24,120</u>	<u>3,720</u>	<u>3,200</u>	<u>520</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, 2012**

	Original Budget	Final Budget	Actual	Variance With Final Favorable (Unfavorable)
Other charges				
Claims and judgments	5,004	5,004	-	5,004
Dues and memberships	1,680	1,680	780	900
Public education	120	120	-	120
Service awards	108	108	-	108
Training	18,000	11,040	3,994	7,046
Travel	18,000	24,240	24,102	138
Private road signs	396	-	-	-
	43,308	42,192	28,876	13,316
Total operating expenses	707,496	772,356	611,364	160,992
Operating revenues in excess of expenses	472,788	407,928	627,875	219,947
Nonoperating revenue (expenses)				
Interest income	1,008	1,008	24,997	23,989
TECB grants and reimbursements	-	-	121,244	121,244
Proceeds from capital outlay notes	1,870,872	1,870,872	1,870,872	-
Debt service	(414,420)	(310,992)	(275,640)	35,352
Capital asset purchases	(2,000,000)	(2,000,000)	(1,220,044)	779,956
Total nonoperating revenue (expenses)	(542,540)	(439,112)	521,429	960,541
Increase (decrease) in budgetary net assets	\$ (69,752)	\$ (31,184)	\$1,149,304	\$1,180,488
 Budget to Actual Reconciliation				
Increase in budgetary net assets			\$1,149,304	
Loan proceeds not reported as income			(1,870,872)	
Principal paid with debt service			228,401	
Capital asset purchases not deducted as expenditures			1,220,044	
Depreciation not budgeted			(203,109)	
Loss on disposal of equipment			(2,921)	
Actual increase in net assets			\$ 520,847	

See auditor's report.

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF LONG-TERM DEBT OBLIGATIONS
YEAR ENDED JUNE 30, 2012**

<u>Years Ending June 30th,</u>	<u>Sumner County Capital Outlay Note</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 354,208	\$ 59,252	\$ 413,460
2014	368,639	44,821	413,460
2015	383,657	29,803	413,460
2016	399,288	14,172	413,460
2017	136,679	1,139	137,818
	<u>\$ 1,642,471</u>	<u>\$ 149,187</u>	<u>\$ 1,791,658</u>

See auditor's report.

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 YEAR ENDED JUNE 30, 2012**

Program	Grantor Agency	Receivable (Deferred) Balance July 1, 2011	Grant Receipts	Expenditures	Receivable (Deferred) Balance June 30, 2012
GIS	Tennessee Emergency Communications Board	\$ -	\$ 57,244	\$ 57,244	\$ -
Training	Tennessee Emergency Communications Board	-	64,000	64,000	-
		<u>\$ -</u>	<u>\$ 121,244</u>	<u>\$ 121,244</u>	<u>\$ -</u>

Basis of Presentation

The schedule of state financial assistance presents the grant activity of the Sumner County Emergency Communications District in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements.

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, 2012, and have issued my report thereon dated January 21, 2013. 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 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 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 21, 2013

**SUMNER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND MANAGEMENT'S COMMENTS
YEAR ENDED JUNE 30, 2012**

Disposition of Prior Year Finding 2011-1

The District satisfactorily corrected the prior year finding.