MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT

JUNE 30, 2012

AUDITED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Marshall County Emergency Communication District
Lewisburg, Tennessee

We have audited the accompanying financial statements of Marshall County Emergency Communication District, a component of Marshall County, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marshall County Emergency Communication District as of June 30, 2012, and the results of its operations and cash flows of its proprietary fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2012, on our consideration of Marshall County Emergency Communication District's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with Government

Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Marshall County Emergency Communication District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion is fairly presented in all material respects in relation to the financial statements taken as a whole.

Michael D. Sullivan, CPA
Lewisburg, Tennessee
November 28, 2012

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012

Our discussion and analysis of the Marshall County Emergency Communication District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the District's audited financial statements.

FINANCIAL HIGHLIGHTS

The District's ongoing sources of revenue are telephone service charges and interest. This revenue totaled approximately $532,682 in 2012 representing a 6.32% increase over 2011. Total expenses were approximately $349,341 for the year, which was a 9.98% increase over 2011. The district continued to upgrade its communications equipment with $234,274 spent on equipment and software purchases in 2012. Additional equipment is being leased at a cost, in 2012, of $83,988.

OVERVIEW OF FINANCIAL STATEMENTS

The District's financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, and 3) a supplemental section that presents detailed summaries and schedules of selected financial data. Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the supplemental information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the financial section.

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance.

The basic financial statements provide financial information about the District's operation presented in the same format as a commercial enterprise. These statements report information about the District using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the assets and liabilities, both financial and capital, and short-term and long-term are included. Likewise, all revenues earned and expenses incurred during the year, regardless of when cash is received or paid, are reported.

The basic financial statements of the District include a statement of net assets, a statement of revenues, expenses, and changes in net assets, a statement of cash flows, and notes to the financial statements, which are described as follows:

- The statement of net assets presents the financial position of the District on a full accrual, historical cost basis. This statement provides information about the nature and amount of resources and obligations at year-end.

- The statement of revenues, expenses, and changes in net assets presents the results of the business activities over the course of the fiscal year and information as to how the fund equity changed during the year.
- The statement of cash flows presents changes in the cash and cash equivalents, resulting from operations, capital and related financing activities, investing activities, and non-capital financing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.
- The notes to financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The supplementary information presented by the District includes comparisons of budget to actual revenue and expenses and schedules required to be presented or considered useful to the readers of the financial statements.

FINANCIAL ANALYSIS

The District's net assets were $1,914,418 at June 30, 2012. Of this amount $596,885 was invested in capital assets and $1,317,533 was unrestricted.

Table 1
Condensed Summary of Net Assets
June 30, 2012 and 2011

	2012	2011
Current asset	$1,328,794	$1,117,288
Capital assets, net	596,885	480,438
Total Assets	$1,925,679	$1,597,726
Current liabilities	$ 11,261	$ 1,363
Long-term liabilities	0	0
Total Liabilities	$ 11,261	$ 1,363
Net Assets		
Invested in capital assets	$ 596,885	$ 480,438
Unrestricted	1,317,533	1,115,925
Total Net Assets	1,914,418	1,596,363
Total Liabilities and Net Assets	$1,925,679	$1,597,726

The $211,506 increase in current assets is primarily attributable to a $194,066 increase in cash, a $3,397 increase in investments, a $20 decrease in interest receivable, a $20,034 increase in accounts receivable, and a $5,971 decrease in prepaid assets. The net increase in capital assets of $116,447 was due to assets purchased during the year less depreciation taken for the year.

The $9,898 increase in liabilities is due to payroll taxes withheld and not paid and small accounts payable at year-end.

Table 2
Condensed Summary of Changes in Net Assets
Year ended June 30, 2012 and 2011

	2012	2011
Revenues:		
Operating revenues		
Telephone service charges	$ 532,682	$ 501,040
Non-operating revenues		
Interest earnings	12,016	15,136
Capital grant	122,698	0
Other	0	2,704
Total Revenues	667,396	518,880
Operating Expenses:		
Telephone	32,389	30,827
Administrative salary and payroll taxes	17,918	15,593
Dispatcher	0	30,000
Lease/rental	85,988	87,788
Professional services	13,450	13,375
Other	81,769	49,143
Depreciation	117,827	90,926
Total Expenses	349,341	317,652
Increase in Net Assets	$ 318,055	$ 201,228

Operating revenues are derived primarily from phone service providers based on fixed fees on their customers. As the fees have remained constant for several years this is generally a stable revenue source. This year increased due to an increase in the amount received from the State Emergency Communications Board.

Expenses increased by a net $31,689 which was due to increases in salary and payroll taxes, telephone expense, professional services, other expenses and depreciation and decreases in dispatcher expense and lease/rental expense.

BUDGETARY HIGHLIGHTS

The District adopts annual operating and capital budgets outlining the estimated expenditures for programs and projects authorized by the District's Board on a cash basis. There were revisions made to the 2012 budget as the need arose for adjustments.

For the year 2012 and 2011, the District's operating budget was amended to equal the actual operating expenses at year-end.

For 2012, capital expenditures were more than the adopted budget before amendments.

CAPITAL ASSETS AND RELATED FUNDING

Capital Assets

At June 30, 2012 the District had $596,885 invested in office and communications equipment, and a tower. This amount represents a net increase (considering additions, deletions and depreciation) of $116,447 from last year.

Capital Assets at Year-end

	2012	2011
Communications equipment and tower	$1,514,729	$1,280,455
Accumulated depreciation	(917,844)	(800,017)
Total	$ 596,885	$ 480,438

This year's additions of $234,274 represented additions of hardware and software for a CAD system partially installed at June 30, 2011and completed during 2012, and office equipment additions.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As noted earlier, the District's primary source of revenue is telephone service fees, which were last increased in 2005. That increase in service fee rates was in effect through June 2012.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide citizens and ratepayers a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or wish to request additional financial information, contact Linda Haislip, Administrative Assistant, at the Marshall County Emergency Communication district, P O Box 2786, Lewisburg, TN 37091, telephone number (931) 359-9911.

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
PROPRIETARY FUND TYPE
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS	
Current Assets	
Cash and cash equivalents	$ 683,742.25
Investments	555,591.95
Accrued interest receivable	1,069.79
Accounts receivable	38,249.82
Due from State Emergency Comm. Board	39,661.74
Prepaid expenses	10,478.93
Total Current Assets	1,328,794.48
Capital Assets	
Furniture and fixtures	63,859.65
Communications equipment	1,084,719.36
Office equipment	8,002.72
Other fixed assets	358,147.28
Total Capital Assets	1,514,729.01
Accumulated Depreciation	(917,844.12)
Capital Assets, net	596,884.89
TOTAL ASSETS	$ 1,925,679.37
LIABILITIES and NET ASSETS	
Current Liabilities	
Accounts payable	$ 10,025.00
Payroll taxes payable	1,236.19
Total Current Liabilities	11,261.19
Net Assets	
Invested in capital assets	596,884.89
Unrestricted net assets	1,317,533.29
Total Net Assets	1,914,418.18
TOTAL LIABILITIES and NET ASSETS	$ 1,925,679.37

See notes to financial statements.

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
PROPRIETARY FUND TYPE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

Operating Revenues		
Emergency telephone service charges		$ 249,473.24
State Emergency Comm. Board-shared wireless charge		71,266.39
State Emergency Comm. Board-operational funding		185,942.03
State Emergency Comm. Board-Other		26,000.00
Total Operating Revenues		532,681.66
Operating Expenses		
Salaries and Wages		
ADDR coordinator	$15,181.56	
Temporary Help	1,430.00	16,611.56
Employee Benefits		
Social Security	1,029.96	
Medicare	243.86	
Unemployment insurance	32.38	1,306.20
Contracted Services		
Addressing/mapping	290.00	
Audit services	4,000.00	
Legal services	9,450.00	
Lease/rental-communications equipment	83,988.00	
Lease/rental-buildings and facilities	2,000.00	
Maintenance and repairs-Buildings and equipment	42,752.37	142,480.37
Supplies and Materials		
Office supplies	1,519.84	
Postage	345.00	
Utilities	2,485.77	
Telephone	32,388.90	36,739.51
Other Charges		
Board meeting expense	353.02	
Dues and memberships	843.45	
Insurance-liability	5,938.96	
Premiums on surety bonds	1,407.95	
Training expenses	8,237.35	
Travel expenses	15,327.50	
Small equipment purchases	2,267.78	34,376.01
Depreciation		117,827.23
Total Operating Expenses		349,340.88
Operating Income		183,340.78
Non-operating Income & Expenses		
Interest income		12,015.95
Equipment Grant		122,698.64
Increase in Net Assets		318,055.37
Net Assets - beginning of year		1,596,362.81
Net Assets - end of year		$ 1,914,418.18

See notes to financial statements.

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
PROPRIETARY FUND TYPE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

Cash flows from operating activities:		
Cash received for emergency telephone service charges	$	249,562.42
Cash received from State Emergency Comm. Board		278,953.97
Cash payments to employees		(17,917.76)
Cash payments for goods and services		(213,595.89)
Net cash provided (used) by operating activities		297,002.74
Cash flows from capital and related financing activities:		
Equipment grant proceeds		122,698.64
Acquisition of equipment		(234,273.70)
Net cash provided (used) by capital and related financing activities		(111,575.06)
Cash flows from investing activities:		
Increase in investment in CD		(3,377.33)
Cash received from interest income		12,015.95
Net cash provided (used) by investing activities		8,638.62
Cash flows from non-capital financing activities:		
Cash received from miscellaneous income		-
Net cash provided (used) by non-capital financing activities		-
Net increase (decrease) in cash		194,066.30
Cash and Cash equivalents at July 1, 2011		489,675.95
Cash and cash equivalents at June 30, 2012	$	683,742.25

Reconciliation of Operating Income to Net Cash Flow from Operating Activities
for the Year Ended June 30, 2012

Operating Income	$	183,340.78
Adjustments to reconcile:		
Depreciation		117,827.23
(Increase) decrease in accounts receivable		(20,033.97)
(Increase) decrease in prepaid expenses		5,970.91
Increase (decrease) in accounts payable		9,873.18
Increase (decrease) in payroll taxes payable		24.61
Net Cash Provided (Used) by Operating Activities	$	297,002.74

See notes to financial statements.

1. ORGANIZATION AND REPORTING ENTITY:

The Marshall County Emergency Communication District (the District) was organized under the Tennessee Emergency Communication District Law for the purpose of providing an emergency number to shorten the time required for residents of Marshall county, Tennessee to request emergency services. The district is governed by a board of directors appointed by the Board of Commissioners of Marshall County. The District is a component unit of Marshall County, but operates as a stand-alone operation. The District has to present its budget to the County Clerk for the County Commissioners, but the Commissioners do not approve the budget. The District must obtain County Commission approval before the issuance of most debt and the County Commission has the ability to adjust the District's service charges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Accounting Policies – The District has adopted the policy of following Governmental Accounting Standards Board (GASB) Statement No. 20 option number one in accordance with Accounting and Financial Reporting Manual for Tennessee Emergency communications Districts. The District only follows GASB Standards issued subsequent to November 30, 1989. These financial statements have been presented in accordance with GASB Statement No. 34 and the format outlined in the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts.

Method of Accounting – The District keeps records and prepares its financial statements and budgets on the cash basis method of accounting. The accompanying financial statements are prepared on the accrual basis, whereby revenues are recognized when earned and measurable and expenses when incurred, if measurable. Revenues from telephone charges are recognized in the period they are earned by the phone service supplier. This is in accordance with policies set forth by the Governmental Accounting Standards Board, which the District is required to follow by the Tennessee Office of the Comptroller.

Equipment – The District's equipment is stated at cost and is depreciated on the straight-line method using an estimated useful life of five to ten years. Assets with a cost of $2,500 or more are capitalized. Maintenance and repairs are charged to expenses as incurred.

Cash and Cash Equivalents – For the purpose of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less to be cash or cash equivalents.

Operating and Non-operating revenues – Operating revenues are emergency telephone charges. Non-operating revenues include interest income, grant income and miscellaneous income.

3. CASH AND CERTIFICATES OF DEPOSIT:

All deposits with financial institutions must be secured by either FDIC deposit insurance or the depository bank must collateralize the deposits in excess of FDIC coverage. One method

involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the purposes of credit risk disclosure.

The District's carrying amount of cash and certificates of deposit was $1,239,334 at June 30, 2012, while the banks' reported balances were $1,246,780 at June 30, 2012. Accounts are covered by either FDIC or NSUA up to $250,000 at each institution and any amounts in excess of $250,000 were covered by the state collateral pool. The uninsured balance as of June 30, 2012, was $ 0.

4. INVESTMENTS:

The District is authorized to make direct investments in bonds, notes, or treasury bills of the U. S. Government and obligations guaranteed by the U. S. Government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. Longer investments may be made if various restrictions set out in state law are followed.

Investments at June 30, 2012 consist of certificates of deposit with maturities ranging from one year to two years. These investments are reported at fair value.

5. CREDIT RISK:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments, as previously explained. The district has no investment policy that would further limit its investment choices. The District chooses to limit its investments to certificates of deposit in banks covered by FDIC insurance, NCUA insurance or which participate in the bank collateral pool.

6. PREPAID LEASE:

The District entered into an agreement with the City of Lewisburg, Tennessee, on October 10, 1996 for leased space. The agreement is for 20 years and the consideration was $2,000 per year, which could be paid in advance. The District paid the full $40,000 in advance. The yearly cost is expensed to occupancy cost. The City will house the 911 equipment and supply dispatchers trained to receive emergency phone calls and transfer those calls to the appropriate agency.

7. EQUIPMENT AND LEASEHOLD IMPROVEMENTS:

The following summarizes changes in equipment and leasehold improvements for the year ended June 30, 2012:

Fixed Assets	Beginning Balance	Increase	Decrease	Ending Balance
Communications equipment	$ 858,189	$ 226,530		$1,084,719
Furniture and fixtures	64,118	7,744		71,862
Tower property	107,530			107,530
Improvements	4,200			4,200
Stored equipment	246,418			246,418
	1,280,455	234,274		1,514,729
Accumulated Depreciation				
Communications equipment	$ 416,137	106,906		523,043
Furniture and fixtures	36,810	6,684		43,494
Tower property	101,866	2,494		104,360
Improvements	770	420		1,190
Stored equipment	244,434	1,323		245,757
	800,017	117,827		917,844
Fixed Assets (net)	$ 480,438			$ 596,885

8. ACCOUNTS RECEIVABLE:

The accounts receivable consists of amounts due from the various telephone companies for emergency telephone surcharges collected prior to year-end and not remitted until after June 30, 2012.

9. RISK FINANCING AND RELATED INSURANCE ISSUES:

The District's liability is limited. The board/management is covered by a management liability policy. The district also holds three statutory surety bonds on the Chairman, Secretary/Treasurer, and the Addressing Coordinator/Bookkeeper. The District also carries a commercial package policy to cover property, etc. The District only furnishes equipment to the City or County agencies. Neither the City nor the District assumes any liability for any agency's failure to equip staff or train their agency or personnel. The District operates as a support unit for these agencies. The District experienced no claims for equipment loss in the past year. There has only been one claim for losses in the past nine years.

10. BUDGETS AND BUDGETARY ACCOUNTING:

An operating budget is legally required to be adopted each year for the purpose of controlling the expenditures on a line item level of control. The budgets are prepared and maintained on the cash basis. Amendments are made when considered necessary. The District adopted a budget at the beginning of the year and made appropriate amendments as needed during the year so that the final budget equaled the actual revenues and expenditures at year –end.

11. SUBSEQUENT EVENTS:

There have been no events occurring subsequent to the financial statement date that require disclosure in these statements.

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
BUDGETARY COMPARISON SCHEDULE (CASH BASIS)
FOR THE YEAR ENDED JUNE 30, 2012

	Actual Cash Basis	Budget Cash Basis	Actual Over (Under) Budget
Cash Revenues			
Emergency telephone service charges	$ 232,575.76	$ 215,000.00	$ 17,575.76
TECB - shared wireless charge	71,082.48	69,249.00	1,833.48
TECB - operational funding	181,871.49	193,741.00	(11,869.51)
Interest income	8,819.79	8,819.00	0.79
Other income	1,698.06	-	1,698.06
TECB - grants and reimbursements	148,698.64	148,698.64	-
Total Cash Basis Revenues	644,746.22	635,507.64	9,238.58
Cash Expenses			
Salaries-part time personnel	16,611.56	17,240.64	(629.08)
Social Security	1,011.06	1,011.06	-
Medicare	238.70	238.70	-
Unemployment compensation	31.83	31.83	-
Addressing/mapping expense	290.00	3,000.00	(2,710.00)
Advertising	82.15	450.00	(367.85)
Auditing services	4,000.00	5,000.00	(1,000.00)
Accounting services	-	500.00	(500.00)
Legal services	9,450.00	9,450.00	-
Maintenance agreements	29,660.84	56,720.00	(27,059.16)
Mapping/data base consultants	-	3,000.00	(3,000.00)
Other consultants	-	6,000.00	(6,000.00)
Lease/rental - Communications equipment	85,788.00	85,788.00	-
Lease/rental - building	-	-	-
Maint/repairs-Communications equipment	7,599.38	7,599.38	-
Maint/repairs-buildings and facilities	406.35	-	406.35
Maint/repairs-office equipment	289.80	3,000.00	(2,710.20)
Office supplies	1,519.84	1,519.84	-
Postage	345.00	350.00	(5.00)
Small equipment purchases	16,300.78	16,300.78	-
Utilities-electric	1,389.66	1,500.00	(110.34)
Utilities-gas	1,165.78	1,165.78	-
General telephone	32,388.90	34,800.00	(2,411.10)
Bank charges	-	100.00	(100.00)
Board meeting expense	353.02	353.02	-
Dues and memberships	843.45	1,200.00	(356.55)
Insurance-liability	6,197.00	6,197.00	-
Insurance-vehicles	-	-	-
Premiums on surety bonds	175.00	850.00	(675.00)
Training expenses	8,237.35	16,000.00	(7,762.65)
Travel expenses	15,907.60	15,907.60	-
Total Cash Basis Expenses	240,283.05	295,273.63	(54,990.58)
Cash Basis Net Income	$ 404,463.17	$ 340,234.01	$ 64,229.16

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
RECONCILIATION OF CASH BASIS ACTUAL TO GAAP BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	Cash Basis	Adjustment		Accrual
Operating Revenues				
Emergency telephone service charges	$ 232,575.76	$ 16,897.48	(1)	$ 249,473.24
TN Emergency Communications Board	278,953.97	4,254.45	(1)	283,208.42
Total Operating Revenues	511,529.73	21,151.93		532,681.66
Operating Expenses				
Salaries	16,611.56	-		16,611.56
Social security	1,011.06	18.90	(2)	1,029.96
Medicare	238.70	5.16	(2)	243.86
Unemployment compensation	31.83	0.55	(2)	32.38
Addressing/mapping	290.00	-		290.00
Advertising	82.15	(82.15)	(2)	-
Auditing services	4,000.00	-		4,000.00
Legal services	9,450.00	-		9,450.00
Other consultants	-	-		-
Maintenance agreements	29,660.84	4,796.00	(3)	34,456.84
Lease/rental - communications equipment	85,788.00	(1,800.00)	(3)	83,988.00
Lease/rental - buildings and facilities	-	2,000.00	(3)	2,000.00
Maint & repairs - communications equipment	7,599.38	-		7,599.38
Maint & repairs - buildings and office equipment	696.15	-		696.15
Supplies and materials	1,519.84	-		1,519.84
Postage	345.00	-		345.00
Small equipment purchases	16,300.78	(14,033.00)	(7)	2,267.78
Depreciation	-	117,827.23	(4)	117,827.23
Telephone and utilities	34,944.34	(69.67)	(2)	34,874.67
Bank charges	-	-		-
Board meeting expense	353.02	-		353.02
Dues and memberships	843.45	-		843.45
Insurance - liability	6,197.00	(258.04)	(3)	5,938.96
Insurance - vehicle	-	-		-
Premium on surety bonds	175.00	1,232.95	(3)	1,407.95
Training expenses	8,237.35	-		8,237.35
Travel expense	15,907.60	(580.10)	(5)	15,327.50
Total Operating Expenses	240,283.05	109,057.83		349,340.88
Non-Operating Revenues				
Interest income	8,819.79	3,196.16	(6)	12,015.95
Equipment grant	122,698.64	-		122,698.64
Other	1,698.06	(1,698.06)	(1)(5)	-
Total Non-Operating Revenues	133,216.49	1,498.10		134,714.59
Total Revenues	644,746.22	22,650.03		667,396.25
Total Operating Expenses	240,283.05	109,057.83		349,340.88
Net Asset Increase (Decrease)	$ 404,463.17	$ (86,407.80)		$ 318,055.37

(1) Difference is due to converting accounts receivable from cash to accrual basis
(2) Difference is due to year end accrual of accounts payable and payroll taxes
(3) Difference is due to adjusting prepaid expenses at year end
(4) Depreciation is not recorded on cash basis books.
(5) Difference is to reclass expense reimbursement
(6) Difference is to record interest income and receivable at year end.
(7) Difference is due to reclassifying capital assets

Reconciliation of Cash Basis To Accrual Basis

Increase in Net Assets - Cash Basis	$ 404,463.17
Depreciation	(117,827.23)
Increase in accounts receivable	19,453.87
Decrease in accrued interest receivable	3,196.16
Decrease in prepaid expenses	(5,970.91)
Reclass fixed asset additions	14,033.00
Reclass expense reimbursement	580.10
Increase in current payables	127.21
Net Reconciliation Cash to Accrual	(86,407.80)
Increase in Net Assets - Accrual Basis	318,055.37
Net Assets - July 1, 2011	1,596,362.81
Net Assets - June 30, 2012	$ 1,914,418.18

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
ROSTER OF BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2012

Name and Address	Position	Term
Chris Gilbert H&S Pharmacy of Chapel Hill 4708 Nashville Hwy Chapel Hill, TN 37034	Chairman	January, 2010 -- January, 2014
Robert Hopkins Emergency Management Director 230 College St., Ste 100 Lewisburg, TN 37091	Vice-Chairman	January, 2010 -- January, 2014
John Smiley P O Box 1164 Lewisburg, TN 37091	Secretary/Treasurer	April, 2012 -- April, 2016
Chuck Forbis Lewisburg Chief of Police 101 Water St. Lewisburg, TN 37091	Board Member	February, 2009 -- February, 2013
Norman Dalton Marshall County Sheriff 112 E. Church St. Lewisburg, TN 37091	Board Member	February, 2011 -- February, 2013
Tommy Engram City Manager P O Box 1968 Lewisburg, TN 37091	Board Member	July, 2012 -- March, 2013
Larry Williams Lewisburg Fire Chief 118 Water St. Lewisburg, TN 37091	Board Member	April, 2012 -- April, 2016
Joe Rozell 749 Joyce Ave. Lewisburg, TN 37091	Board Member	April, 2012 -- April, 2016
Bill Reuter EMS Director 728 S. Ellington Pkwy. Lewisburg, TN 37091	Board Member	January, 2010 -- January, 2014

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Marshall County Emergency Communication District
Lewisburg, Tennessee

We have audited the financial statements of Marshall County Emergency Communication District, a component unit of Marshall County, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Marshall County Emergency Communication District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of the Marshall County Emergency Communication District's financial statements that is more than inconsequential will not be prevented or detected by the Marshall County Emergency Communication District's internal control. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Marshall County Emergency Communication District's internal control.

Our consideration of internal control over financial reporting was for the limited described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, agreements and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and Tennessee Code Annotated, Section 7-86-120.

Marshall County Emergency Communication District's response to the finding identified in our audit is disclosed in the accompanying schedule of findings. We did not audit Marshall County Emergency Communication District's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Directors, its management, and the County Mayor and Board of Commissioners of Marshall County, Tennessee, and should not be used by anyone other than these specified parties.

Michael D. Sullivan, CPA
November 28, 2012

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Marshall County Emergency Communication District.

2. One control deficiency is reported in the Independent Auditor's report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The finding is considered a significant deficiency.

3. No instances of noncompliance material to the financial statements of Marshall County Emergency Communication District were disclosed during the audit.

SIGNIFICANT DEFICIENCY

2012-1 Separation of Duties

Condition: The District has a limited staff (one part-time employee) and consequently is unable to properly segregate the control of funds from record keeping duties thus resulting in a significant deficiency in internal control. This condition has existed in prior years and is expected to continue in the future.

Criteria: Internal controls should be in place, which provide reasonable assurance that funds of the District are properly safeguarded and recorded.

Effect: because of the lack of separation of duties, the possibility exists that funds may not be properly accounted for and safeguarded.

Recommendation: Procedures should be implemented requiring as much separation of duties as possible and involving others from the Board.

MANAGEMENT RESPONSE

The Board does understand the impact of this deficiency in internal control and realizes that there is no practical way to remedy the shortage of personnel. Steps have been taken for the Treasurer to review all receipts prior to deposit and to closely monitor the financial condition and results of operations. The Board reviews all transactions at the monthly board meeting and approves all expenditures before they are made if they are not a regular recurring item. Dual signatures are also required on all disbursements. The Board also receives a monthly financial report which details all revenues and expenditures.