

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

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

**MAURY 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
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, 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 Maury 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 February 19, 2013, 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 style with a large, stylized initial "D".

D. Gregory Johnson, CPA
Columbia, Tennessee
February 19, 2013

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

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

Tommy Goetz, Member

Mark Blackwood, Member

Rick Hamilton, Member

Lee Bergeron, Member

**MAURY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

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, 2012. 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 2012 and 2011 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, 2012**

SUMMARIZED FINANCIAL INFORMATION
YEARS ENDED JUNE 30th

	NET ASSETS		Dollar	Percentage
	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Change</u>
Current assets	\$ 790,120	\$ 744,070	\$ 46,050	6.2%
Capital assets	<u>711,389</u>	<u>778,196</u>	<u>(66,807)</u>	-8.6%
Total assets	1,501,509	1,522,266	(20,757)	-1.4%
Current liabilities	<u>32,591</u>	<u>35,985</u>	<u>(3,394)</u>	-9.4%
Net Assets	<u>\$ 1,468,918</u>	<u>\$ 1,486,281</u>	<u>\$ (17,363)</u>	-1.2%
Summary of net assets-				
Invested in capital assets	\$ 711,389	\$ 778,196	\$ (66,807)	-8.6%
Unrestricted	<u>757,529</u>	<u>708,085</u>	<u>49,444</u>	7.0%
	<u>\$ 1,468,918</u>	<u>\$ 1,486,281</u>	<u>\$ (17,363)</u>	-1.2%
	CHANGES IN NET ASSETS			
Revenues	\$ 1,387,100	\$ 1,365,336	\$ 21,764	1.6%
Operating expenses	<u>1,408,688</u>	<u>1,339,184</u>	<u>69,504</u>	5.2%
Operating income (loss)	(21,588)	26,152	(47,740)	-182.5%
Nonoperating revenues net of expenses	<u>4,225</u>	<u>2,675</u>	<u>1,550</u>	-57.9%
Changes in net assets	(17,363)	28,827	(46,190)	-160.2%
Net assets, beginning of year	<u>1,486,281</u>	<u>1,457,454</u>	<u>28,827</u>	2.0%
Net assets, end of year	<u>\$ 1,468,918</u>	<u>\$ 1,486,281</u>	<u>\$ (17,363)</u>	-1.2%

**MAURY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

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 decreased \$20,757 during the year ended June 30, 2012, which includes a \$51,729 increase in cash, a \$3,000 increase in certificates of deposit, and a \$8,679 decrease in receivables. Net capital assets decreased \$66,807 as a result of additions to depreciation of \$69,673 with net additions to fixed assets of \$2,866. Net assets decreased \$17,363 for the year ended June 30, 2012. In the current year, the District's total revenue increased slightly by 1.6% due mainly to decreases in collections of AT&T revenue. Total expenses for the District increased 5.2% 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, 2012, totaled \$71,251.

The District's Net Assets

The District completed the year with net assets of \$1,468,918, which is \$17,363 less than the prior year's ending net assets of \$1,486,281. The net assets at June 30, 2012, consist of \$711,389 invested in capital assets, and \$757,529 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 7.9% from the previous year. Normal state shared wireless income increased 3.3% during the year. The Tennessee Emergency Communications Board operational funding amounted to \$320,712, which included \$54,900 of grants for training and mapping. This brought the total income from wireless sources to \$508,120. 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 \$19,080 during the year. Overall, operating revenue increased \$21,764 over the prior year.

Total expenditures in most budget categories remained in line with a few exceptions. Salaries and wages were \$261 less than final budgeted amounts. Employee benefit costs paid and accrued were \$892 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 \$1,128,084 with accumulated depreciation of \$416,695. Capital assets include the building, communications equipment, a vehicle, as well as office furniture and office equipment. Current year additions amounted to \$2,866, and there were no retirements in the year ended June 30, 2012.

**MAURY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

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 which have decreased a total of 19.59% over the last two years. 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. New legislation introduced by the State of Tennessee may increase this percentage. 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, 2012

ASSETS

Current assets

Cash and equivalents	\$ 358,413
Certificates of deposit	403,000
Accounts receivable	28,707
	<hr/>
Total current assets	790,120

Capital assets

Land	74,380
Buildings	494,705
Office equipment	32,710
Furniture and fixtures	5,637
Communications equipment	494,405
Vehicles	26,247
	<hr/>
	1,128,084
Less accumulated depreciation	(416,695)
	<hr/>
Total capital assets	711,389
	<hr/>
Total assets	\$ 1,501,509

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 9,215
Accrued expenses	23,376
	<hr/>
Total current liabilities	32,591

Net assets

Invested in capital assets	711,389
Unrestricted net assets	757,529
	<hr/>
Total net assets	1,468,918
	<hr/>
Total liabilities and net assets	\$ 1,501,509

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, 2012**

Operating revenue	
Emergency telephone service charges	\$ 408,779
State emergency communications board - shared wireless	187,408
State emergency communications board - operational funding	320,712
Emergency support services	245,110
Other income	<u>225,091</u>
Total revenue	<u>1,387,100</u>
 Operating expenses	
Salaries and wages	834,340
Employee benefits	311,211
Contracted services	124,811
Supplies and materials	34,505
Other charges	34,148
Depreciation	<u>69,673</u>
Total operating expenses	<u>1,408,688</u>
Net operating loss	(21,588)
 Nonoperating revenue (expense)	
Interest income	<u>4,225</u>
Decrease in net assets	(17,363)
Net assets, beginning of year	<u>1,486,281</u>
Net assets, end of year	<u><u>\$ 1,468,918</u></u>

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

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

Cash flows from operating activities	
Receipts from surcharges	\$ 925,579
Receipts from emergency support services	245,110
Payments to suppliers	(201,453)
Payments to employees	(1,140,956)
Other receipts (payments)	<u>225,090</u>
Net cash provided by operating activities	<u>53,370</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	<u>(2,866)</u>
Cash flows from investing activities	
Interest income	4,225
Purchases of certificates of deposit	<u>(3,000)</u>
Net cash provided by investing activities	<u>1,225</u>
Net increase in cash	51,729
Cash and equivalents, beginning of year	<u>306,684</u>
Cash and equivalents, end of year	<u><u>\$ 358,413</u></u>
Reconciliation of net operating loss to net cash flows from operating activities	
Net operating loss	\$ (21,588)
Adjustments to reconcile net operating loss to net cash provided by operating activities	
Depreciation	69,673
Decrease in accounts receivable	8,679
Decrease in accounts payable	(7,990)
Increase in accrued expenses	<u>4,596</u>
Net cash provided by operating activities	<u><u>\$ 53,370</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, 2012

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's financial statements are reported using the economic resources measurement focus and the 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. With this measurement focus, all assets and all liabilities associated with the operations are included in the statement of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted for debt service; and unrestricted components. As of June 30, 2012, the District had no debt that related to the aforementioned categories.

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, 2012**

NOTE A – 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, 2012**

NOTE A – 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 yearend, 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 federally 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, 2012, certificates of deposit are as follows:

First Farmers & Merchants Bank, 0.35% maturing November 2, 2012	\$ 150,000
First Farmers & Merchants Bank, 0.70% maturing September 14, 2012	101,200
First Farmers & Merchants Bank, 0.70% maturing September 14, 2012	101,200
First Farmers & Merchants Bank, 0.60% maturing September 14, 2012	50,600
	<u>\$ 403,000</u>

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

NOTE D – ACCOUNTS RECEIVABLE

The following schedule reflects the components of accounts receivable as of June 30, 2012:

Emergency telephone service charges	<u><u>\$ 28,707</u></u>
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NOTE E – CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Land	\$ 74,380	\$ -	\$ -	\$ 74,380
Buildings	494,705	-	-	494,705
Office equipment	32,010	700	-	32,710
Furniture and fixtures	4,662	975	-	5,637
Communications equipment	493,214	1,191	-	494,405
Vehicles	<u>26,247</u>	<u>-</u>	<u>-</u>	<u>26,247</u>
Total cost	<u>1,125,218</u>	<u>2,866</u>	<u>-</u>	<u>1,128,084</u>
Less accumulated depreciation for:				
Buildings	(60,934)	(12,368)	-	(73,302)
Office equipment	(6,165)	(1,514)	-	(7,679)
Furniture and fixtures	(1,582)	(467)	-	(2,049)
Communications equipment	(258,102)	(50,245)	-	(308,347)
Vehicles	<u>(20,239)</u>	<u>(5,079)</u>	<u>-</u>	<u>(25,318)</u>
Total accumulated depreciation	<u>(347,022)</u>	<u>(69,673)</u>	<u>-</u>	<u>(416,695)</u>
Capital assets, net	<u><u>\$ 778,196</u></u>	<u><u>\$ (66,807)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 711,389</u></u>

Depreciation charged to expense for the current year amounted to \$69,673.

NOTE F – ACCRUED EXPENSES

Accrued expenses at June 30, 2012, consist of the following:

Accrued payroll	\$ 19,002
Accrued payroll taxes	<u>4,374</u>
	<u><u>\$ 23,376</u></u>

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

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 29% of total operating revenue. The Tennessee Emergency Communications Board collects the revenue from wireless phone users and distributes 25% of the funds to the Emergency Communications Districts based on the proportion of the population of each district to that of the state, according to the latest census. The Tennessee Emergency Communications Board also distributes additional amounts as part of the operational funding program to assist districts with the basic costs of 911 service.

NOTE H – 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, 2012**

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, 2012, 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, 2012, the Maury County Emergency Communications District's annual pension cost of \$71,251 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, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 71,251	100.00%	\$0.00
June 30, 2011	\$ 68,581	100.00%	\$0.00
June 30, 2010	\$ 59,467	100.00%	\$0.00

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

NOTE H – PENSION EXPENSE (CONTINUED)

Funding Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 73.93% percent funded. The actuarial accrued liability for benefits was \$0.72 million, and the actuarial value of assets was \$0.54 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.19 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.62 million, and the ratio of the UAAL to the covered payroll was 30.25% 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, 2012, 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, 2012**

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$ 536	\$ 725	\$ 189	73.93%	\$ 625	30.25%
July 1, 2009	\$ 248	\$ 328	\$ 79	75.78%	\$ 474	16.74%
July 1, 2007	\$ 107	\$ 192	\$ 85	55.73%	\$ 416	20.43%

SUPPLEMENTARY INFORMATION

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

Salaries and Wages

Director	\$ 70,133
Assistant director	56,691
Administrative personnel	83,931
Telecommunicators	615,199
Longevity	8,386
	<u>834,340</u>

Employee Benefits

Social security	51,729
Medicare	12,098
Life insurance	2,118
Medical insurance	159,888
Medical reimbursement plan	14,127
Retirement contributions	71,251
	<u>311,211</u>

Contracted Services

Audit services	2,750
Accounting services	2,400
Janitorial services	4,400
Maintenance agreements	46,465
Data base maintenance	49,521
NCIC/TBI expenses	8,000
Other consultants	2,202
Pest control	425
Copier lease	1,508
Repairs - communications equipment	732
Repairs - building	3,262
Vehicle operation/maintenance	3,146
	<u>124,811</u>

**MAURY COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OPERATING EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2012**

Supplies and Materials

Office supplies	6,355
Postage	177
Small equipment purchases	1,039
Uniforms & shirts	1,079
Utilities	
Electric and water	13,996
General telephone	8,575
Cell phones and pagers	3,284
	<hr/>
	34,505
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Other Charges

Bank charges	782
Board meeting expenses	46
Dues and memberships	1,264
Insurance	
Workers' compensation	3,211
Liability	4,989
Buildings and contents	7,757
Vehicles	1,471
Public education	2,918
Service awards	2,092
Training	7,199
Travel	764
Internet	1,655
	<hr/>
	34,148
	<hr/>

Depreciation

69,673

\$ 1,408,688

**MAURY 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 (Cash Basis)</u>	<u>Variance With Final Favorable (Unfavorable)</u>
Operating revenue				
Emergency telephone service charges	\$ 438,000	\$ 438,000	\$ 417,458	\$ (20,542)
State emergency communications board - shared wireless	188,890	188,890	187,408	(1,482)
State emergency communications board - operational funding	329,450	329,450	320,712	(8,738)
Emergency support services	245,347	245,347	245,110	(237)
Other income	206,400	206,400	225,091	18,691
	<u>1,408,087</u>	<u>1,408,087</u>	<u>1,395,779</u>	<u>(12,308)</u>
Operating expenses				
Salaries and wages				
Director	69,704	69,704	69,704	-
Assistant director	56,344	56,344	56,344	-
Administrative personnel	51,219	82,819	82,642	177
Telecommunicators	635,936	611,836	611,766	70
Longevity	8,400	8,400	8,386	14
	<u>821,603</u>	<u>829,103</u>	<u>828,842</u>	<u>261</u>
Employee benefits				
Social security	50,939	51,404	51,388	16
Medicare	11,913	12,022	12,018	4
Life insurance	2,420	2,420	2,118	302
Medical insurance	158,590	159,890	159,888	2
Medical reimbursement plan	16,000	14,700	14,127	573
Retirement contributions	72,932	73,732	73,737	(5)
	<u>312,794</u>	<u>314,168</u>	<u>313,276</u>	<u>892</u>
Contracted services				
Audit services	2,500	2,750	2,750	-
Accounting services	2,500	2,500	2,500	-
Janitorial services	4,800	4,800	4,800	-
Legal services	2,000	950	-	950
Maintenance agreements	49,500	47,500	46,465	1,035
Data base maintenance	51,960	53,960	53,851	109
NCIC/TBI expenses	9,150	9,150	8,000	1,150
Other consultants	7,000	7,000	2,202	4,798
Pest control	360	460	450	10
Copier lease	1,600	1,600	1,508	92
Repairs - communications equipment	2,000	1,900	908	992
Repairs - building	5,000	5,000	3,717	1,283
Repairs - office equipment	2,000	2,000	-	2,000
Vehicle operation/maintenance	4,000	4,000	3,183	817
	<u>144,370</u>	<u>143,570</u>	<u>130,334</u>	<u>13,236</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, 2012**

	<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	6,309	1,691
Postage	300	300	177	123
Small equipment purchases	3,000	3,000	1,039	1,961
Uniforms & shirts	3,000	3,000	1,079	1,921
Utilities				
Electric and water	14,000	13,800	13,769	31
General telephone	8,400	9,000	9,063	(63)
Cell phones and pagers	3,800	3,400	3,370	30
	<u>40,500</u>	<u>40,500</u>	<u>34,806</u>	<u>5,694</u>
Other charges				
Bank charges	750	800	782	18
Board meeting expenses	300	250	46	204
Dues and memberships	1,200	1,300	1,264	36
Employee testing	1,200	1,100	-	1,100
Insurance				
Workers' compensation	3,800	3,500	3,211	289
Liability	4,800	5,100	4,989	111
Buildings and contents	8,000	8,000	7,757	243
Vehicles	1,500	1,500	1,471	29
Public education	2,500	2,500	2,599	(99)
Service awards	2,000	2,000	2,092	(92)
Training	20,000	11,926	7,199	4,727
Travel	2,000	2,000	764	1,236
Internet	1,850	1,850	1,655	195
	<u>49,900</u>	<u>41,826</u>	<u>33,829</u>	<u>7,997</u>
Total operating expenses	<u>1,369,167</u>	<u>1,369,167</u>	<u>1,341,087</u>	<u>28,080</u>
Operating revenues in excess of expenses	<u>38,920</u>	<u>38,920</u>	<u>54,692</u>	<u>15,772</u>
Nonoperating revenue (expenses)				
Interest income	4,158	4,158	4,225	67
Capital expenditures	<u>(20,000)</u>	<u>(20,000)</u>	<u>(2,866)</u>	<u>17,134</u>
Total nonoperating revenue (expense)	<u>(15,842)</u>	<u>(15,842)</u>	<u>1,359</u>	<u>17,201</u>
Increase in budgetary net assets	23,078	23,078	56,051	32,973
Budgetary net assets, beginning of year	<u>1,486,281</u>	<u>1,486,281</u>	<u>1,486,281</u>	<u>-</u>
Budgetary net assets, end of year	<u><u>\$ 1,509,359</u></u>	<u><u>\$ 1,509,359</u></u>	<u><u>\$ 1,542,332</u></u>	<u><u>\$ 32,973</u></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, 2012**

Budget to Actual Reconciliation

Increase in budgetary net assets	\$ 56,051
Capital expenditures	2,866
Depreciation not budgeted	(69,673)
Accrual adjustment for accounts receivable	(8,679)
Accrual adjustment for accounts payable	7,990
Accrual adjustment for accrued expenses	<u>(5,918)</u>
Actual decrease in net assets	<u>\$ (17,363)</u>

See auditor's report.

D. GREGORY JOHNSON
CERTIFIED PUBLIC ACCOUNTANT

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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
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, 2012, and have issued my report thereon dated February 19, 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 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, flowing style.

D. Gregory Johnson, CPA
Columbia, Tennessee
February 19, 2013