

**WILSON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT  
A COMPONENT UNIT OF WILSON COUNTY  
LEBANON, TENNESSEE**

**FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION  
YEARS ENDED JUNE 30, 2012 AND 2011**

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.**  
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**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.  
ROSTER OF BOARD MEMBERS AND  
MANAGEMENT OFFICIALS**

June 30, 2012 and 2011

Mac McCluskey .....	Board Chairman
Ken Davis .....	Vice Chairman
Larry Lovvorn .....	Sec/Treasurer
Ron Britt .....	Board Member
David Hale .....	Board Member
Bedford Johnson .....	Board Member
John Woodruff .....	Board Member
Fred Burton .....	Board Member
Larry Stone .....	Board Member
Michael Jennings .....	911 Attorney
J.R. Kelley .....	Director

INDEPENDENT AUDITORS' REPORT

To the Comptroller of the Treasury  
and the Board of Directors  
Wilson County Emergency Communications District, Inc.  
A Component Unit of Wilson County  
Lebanon, Tennessee 37087

We have audited the accompanying financial statements of the business-type activities of Wilson County Emergency Communication District, Inc. a component unit of Wilson County, as of June 30, 2012 and 2011 and for the years ended as listed in the table of contents. These financial statements are the responsibility of Wilson County Emergency Communication District, Inc.'s management. Our responsibility is to express opinions on these financial statements based on our audits.

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 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Wilson County Emergency Communication District, Inc., as of June 30, 2012 and 2011 and the respective changes in financial position, and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2012, on our consideration of the Wilson County Emergency Communication District, Inc.'s internal control 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 an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 8 and schedules of funding progress for pension and OPEB on page 25 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wilson County Emergency Communication District, Inc.'s financial statements as a whole. The Roster of Board Members and Management Officials and additional information are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedule of comparative operating fund revenues and expenses 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 themselves. 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Roster of Board Members and Management Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Dempsey Vantrease & Follis, A.C.C.*

Lebanon, TN

December 31, 2012

## Management's Discussion and Analysis

This section of the Wilson County Emergency Communications Districts (a component unit of Wilson County) audited financial statements presents our discussion and analysis of the Organization's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the financial statements, which follow this section.

### Financial Highlights

- The organization's net assets increased \$55,438 over the course of the fiscal year ended June 30, 2012 operations. The increase in net assets is a 2.09% increase from net assets of \$2,654,648 at June 30, 2011. In the fiscal year ended June 30, 2011, the Organization's net assets increased \$336,746 or 16.03% over net assets of \$2,278,902 at June 30, 2010.
- There was an increase in net assets of \$55,438, which is a decrease of \$311,308 from \$366,746 increase in net assets for June 30, 2011. Net income from ongoing operations increased \$16,869 or 119.55% from the fiscal year ending June 30, 2011, primarily due to decrease in contract services. During the fiscal year ended June 30, 2011, income from ongoing operations increased \$45,718 or 76.42% and the change in net assets increased \$370,428 or 10060.51% from the fiscal year ended June 30, 2010.
- The total cost of the Organization's activities increased by 6.02% in the fiscal year ending June 30, 2012. Increases in operating expenses were in salaries, employee benefits, post employment benefits, depreciation, and emergency communications equipment maintenance fees. The total cost of the Organization's activities declined .52% in the fiscal year ending June 30, 2011, due to decreases in employee benefits, contracted services, supplies and materials.
- Balances of cash and certificates of deposit increased \$128,803 or 6.2% during the fiscal year ending June 30, 2012. In the fiscal year ending June 30, 2011 the balances of cash and certificates of deposit increased \$212,478 or 11.44%. The increase is primarily due to additional funding provided by the Tennessee Emergency Communications Board.

## Overview of the Financial Statements

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements of a proprietary fund offer short and long term financial information about the activities the government operates as a business’s. The financial statements also include notes that explain some of the information in the financial statements and provided more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

## Financial Analysis of the Organizations as a Whole

**Net Assets.** The Organization’s net assets increased \$55,438 between fiscal years 2011 and 2012. In comparison, net assets for the fiscal year ended June 30, 2011 increased \$366,746 from the fiscal year ending June 30, 2010. Income from ongoing operations increased \$16,869 for the year ending June 30, 2012 and non-operating income decreased \$328,177 or -86.17% for the year ending June 30, 2012.

### Wilson County Emergency Communications District

#### Net Assets

June 30, 2012 and June 30, 2011

<u>Account Name</u>	<u>2012</u>	<u>2011</u>	<u>%Change</u>
Current & Other Assets	\$2,307,428	\$2,206,569	4.57%
Capital Assets	\$ <u>711,831</u>	\$ <u>660,898</u>	7.71%
Total Assets	<u>\$3,019,259</u>	<u>\$2,867,467</u>	5.29%
Current and Other Liabilities	\$ 309,173	\$ 212,819	45.28%
Net Assets			
Invested in Capital Assets			
Net of Depreciation	\$ 711,831	\$ 660,898	7.71%
Unrestricted	<u>\$1,998,255</u>	<u>\$1,993,750</u>	0.23%
Total Liabilities & Net Assets	<u>\$3,019,259</u>	<u>\$2,867,467</u>	5.29%

Wilson County Emergency Communications District

**Net Assets**

June 30, 2011 and June 30, 2010

<u>Account Name</u>	<u>2011</u>	<u>2010</u>	<u>%Change</u>
Current & Other Assets	\$2,206,569	\$1,895,846	16.39%
Capital Assets	<u>\$ 660,898</u>	<u>\$ 530,850</u>	24.50%
Total Assets	<u>\$2,867,467</u>	<u>\$2,426,696</u>	18.16%
Current & Other Liabilities	\$ 212,819	\$ 138,794	53.33%
Net Assets			
Invested in Capital Assets			
Net of Depreciation	\$ 660,898	\$ 530,850	24.50%
Unrestricted	<u>\$1,993,750</u>	<u>\$1,757,052</u>	13.47%
Total Liabilities & Net Assets	<u>\$2,867,467</u>	<u>\$2,426,696</u>	18.16%

**Changes in net Assets.** The Organization's total revenues (excluding non-operating items) increased \$75,435 during the fiscal year ending June 30, 2012 and \$40,595 for the fiscal year ending June 30, 2011. Non-operating income decreased \$328,177 during the fiscal year ending June 30, 2012. Approximately 96% of the Organization's income is derived from taxes charged on the telephone bills for emergency telephone service. The remaining non-operating source of income is principally investment income and state grants. Comparisons of changes in net assets are presented below:

Wilson County Emergency Communications District

**Changes in Net Assets**

June 30, 2012 and June 30, 2011

<u>Account Name</u>	<u>2012</u>	<u>2011</u>	<u>%Change</u>
Total Operating Revenues	\$1,034,547	\$959,112	7.87%
Total Operating Expenses	<u>\$1,031,788</u>	<u>\$973,222</u>	6.02%
Operating Income	\$ 2,759	(\$ 14,110)	119.55%
Non-Operating Income	<u>\$ 52,679</u>	<u>\$380,856</u>	-86.17%
Increase in Net Assets	<u>\$ 55,438</u>	<u>\$366,746</u>	-84.88%

Wilson County Emergency Communications District

**Changes in Net Assets**

June 30, 2011 and June 30, 2010

<u>Account Name</u>	<u>2011</u>	<u>2010</u>	<u>%Change</u>
Total Operating Revenues	\$959,112	\$918,517	4.42%
Total Operating Expenses	<u>\$973,222</u>	<u>\$978,345</u>	(0.52%)
Operating Income	(\$14,110)	(\$59,828)	76.42%
Non-Operating Income	<u>\$380,856</u>	\$56,146	578.33%
Increase in Net Assets	<u>\$366,746</u>	<u>(\$3,682)</u>	10060.51%

**Capital Assets.** As of June 30, 2012, the Organization had invested \$711,831 in capital assets including the building and land in which the operations are conducted and various items of office and communications equipment. As of June 30, 2011, the Organization had invested \$660,898 in capital assets. An inventory of all capital assets was taken on June 30, 2012. An annual physical inventory of all capital assets is planned for the close of business on June 30 each year. More detail about the Organization's capital assets is available in Note 4 to the financial statements.

The Organization's fiscal year 2013 capital budget projects \$85,000 additions to capital assets. The Organization has no plans or intentions to finance these additions but will use proceeds from ongoing operations, cash revenues, and grants to fund any purchases.

**Contacting the Organizations Financial Management**

This financial report is designed to provide the citizens, taxpayers and customers of Wilson County of the Organizations finances and to demonstrate the Organization's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Wilson County Emergency Communications District, 1611 W Main Street, Lebanon, TN 37087.

**WILSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.**  
**A COMPONENT UNIT OF WILSON COUNTY**  
**STATEMENTS OF NET ASSETS**

	<u>ASSETS</u>	
	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
<b>Current Assets</b>		
Cash & Cash Equivalents	\$ 242,901	\$ 502,832
Investments	1,954,830	1,566,096
Accounts Receivable	27,755	29,910
<b>Total Current Assets</b>	<u>2,225,486</u>	<u>2,098,838</u>
<b>Fixed Assets</b>		
Land	118,500	118,500
Building	440,466	440,466
Office Equipment	219,937	189,312
Communications Equipment	338,549	202,502
Vehicles	22,710	22,710
<b>Total</b>	<u>1,140,162</u>	<u>973,490</u>
Less Accumulated Depreciation	(428,331)	(312,592)
<b>Net Fixed Assets</b>	<u>711,831</u>	<u>660,898</u>
<b>Other Assets</b>		
Prepaid Service Lease, net	81,942	107,731
<b>Net Other Assets</b>	<u>81,942</u>	<u>107,731</u>
<b>Total Assets</b>	<u><u>\$ 3,019,259</u></u>	<u><u>\$ 2,867,467</u></u>

The accompanying notes are an integral part of these financial statements

**WILSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.  
A COMPONENT UNIT OF WILSON COUNTY  
STATEMENTS OF NET ASSETS**

**LIABILITIES AND NET ASSETS**

	<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Current Liabilities</b>		
Accounts Payable	\$ 16,980	\$ 10,147
Accrued Payroll	15,649	13,439
Payroll Deductions Payable	(145)	(105)
Compensated Absences	8,497	8,894
<b>Total Current Liabilities</b>	40,981	32,375
<b>Other Liabilities</b>		
Net OPEB Liability	268,192	180,444
<b>Total Liabilities</b>	309,173	212,819
<b>Net Assets</b>		
Invested In Capital Assets	711,831	660,898
Unrestricted	1,998,255	1,993,750
<b>Total Net Assets</b>	2,710,086	2,654,648
 <b>Total Liabilities &amp; Net Assets</b>	 \$ 3,019,259	 \$ 2,867,467

The accompanying notes are an integral part of these financial statements

**WILSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.**  
**A COMPONENT UNIT OF WILSON COUNTY**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**

	Years Ended June 30,	
	2012	2011
<b>Operating Revenues</b>		
Emergency Telephone Service Charge	\$ 148,786	\$ 158,935
Tennessee Emergency Communications Board-Shared Wireless Charge	345,113	345,095
Tennessee Emergency Communications Board-Operational Funding	271,948	243,793
Other Operating Revenues	268,700	211,289
<b>Total Operating Revenues</b>	1,034,547	959,112
<b>Operating Expenses</b>		
Salaries and Wages	420,166	413,288
Employee Benefits	211,088	194,977
Contracted Services	218,483	200,505
Supplies & Materials	29,946	26,997
Other Charges	36,366	29,117
Depreciation	115,739	105,231
Amortization	0	3,107
<b>Total Operating Expenses</b>	1,031,788	973,222
<b>Operating Income/(Loss)</b>	2,759	(14,110)
<b>Nonoperating Revenues/(Expenses)</b>		
Loss on Disposal of Asset	-	-
Interest Income	42,679	49,801
Tennessee Emergency Communications Board Grants and Reimbursements	10,000	331,055
<b>Total Nonoperating Revenues/(Expenses)</b>	52,679	380,856
<b>Increase in Net Assets</b>	55,438	366,746
<b>Net Assets, Beginning of Year</b>	2,654,648	2,287,902
<b>Net Assets, End of Year</b>	\$ 2,710,086	\$ 2,654,648

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

**WILSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.**  
**A COMPONENT UNIT OF WILSON COUNTY**  
**STATEMENTS OF CASH FLOWS**

	<b>Years Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash Flows From Operating Activities</b>		
Cash Received From Charges for Services	\$ 1,036,702	\$ 965,232
Cash Payments To Suppliers for Goods and Services	(463,262)	(560,787)
Cash Payments to Employees for Services	(330,645)	(337,545)
<b>Net Cash Provided By Operating Activities</b>	242,795	66,900
<b>Net Cash Provided By Noncapital Financing Activities</b>		
State of Tennessee ECB Grants	10,000	331,055
<b>Net Cash Used by Capital and Related Financing Activities</b>		
Purchase of Equipment	(166,671)	(235,278)
<b>Cash Flows From Investing Activities</b>		
Purchase of Certificates of Deposit	(388,734)	(45,471)
Interest On Investments	42,679	49,801
<b>Net Cash Provided By (Used In) Investing Activities</b>	(346,055)	4,330
<b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>	(259,931)	167,007
<b>Cash &amp; Cash Equivalents at Beginning of Year</b>	502,832	335,825
<b>Cash &amp; Cash Equivalents at End of Year</b>	\$ 242,901	\$ 502,832

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

**WILSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.**  
**A COMPONENT UNIT OF WILSON COUNTY**  
**STATEMENTS OF CASH FLOWS**

	<b>Years Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating Income/(Loss)</b>	\$ 2,759	\$ (14,110)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities</b>		
Depreciation	115,739	105,231
Amortization	-	3,107
<b>Change in Assets and Liabilities</b>		
Accounts Receivable	2,155	6,120
Prepaid Expenses	25,789	(107,472)
Accounts Payable	6,833	(1,718)
Accrued Payroll	2,210	1,475
Payroll Deductions Payable	(40)	(208)
Net OPEB Liability	87,748	71,365
Compensated Absences Payable	(398)	3,110
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 242,795</b>	<b>\$ 66,900</b>

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

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.**  
**A COMPONENT UNIT OF WILSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012 and 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Wilson County Emergency Communication District, Inc. was established pursuant to Tennessee Code Annotated 7-86-101 for the purpose of providing emergency services through the use of a three digit (911) telephone number. The District is a component unit of Wilson County, Tennessee, the primary government. Wilson County appoints the board members of the District and must approve the District's issuance of long-term debt. Even though the District is financially independent of the Wilson County primary governmental unit, it is accountable to that unit.

**Basis of Accounting and Financial Statement Presentation**

The District is considered to be a business-type activity (proprietary fund) which is used to account for and report those governmental activities that are designed to be self-supporting from fees charged to consumers of the funds' goods and services. The accounting and financial reporting practices of proprietary funds are similar to those used for business enterprises. That is, revenues are matched with expenses, and net income is determined using accrual accounting methods. The District's financial statements have been prepared in conformity with all applicable GASB pronouncements as well as all Financial Accounting Standards Board pronouncements issued prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The Board's general spending prioritization policy is to consider restricted resources to have been used first then unrestricted resources when expenditures have been incurred for which resources in more than one classification could be used.

**Cash Equivalents**

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Estimates**

The 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 at the date of the financial statements. Actual results could differ from those estimates.

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.**  
**A COMPONENT UNIT OF WILSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2012 and 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Operating Revenues**

Operating revenues are received from various phone companies by law as more fully described in Note 3. All revenues not part of these legally required payments for emergency telephone service have been classified as non-operating.

**Capital Assets**

As more fully described in Note 4, capital assets are recorded at cost and depreciated over their useful lives using the straight line method.

**Budgets and Budgetary Accounting**

Per Tennessee Code Annotated Section 7-86-120, the Board is legally required to adopt and operate under an annual budget. All monies received and expended by the district must be included in the budget. The district cannot expend any monies regardless of source except in accordance with the legally adopted budget. Budgetary control for emergency communications districts is legally set at the line-item level.

The Board follows these procedures in establishing the budgetary data reflected in the additional information section:

- a) Formal budgetary integration is employed as a management control device during the year for the business-type activity. This budget is adopted on a basis consistent with generally accepted accounting principles.
- b) The Board of Directors approves an annual detailed budget. Any revisions made during the year must be approved by the Board of Directors.
- c) The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.**  
**A COMPONENT UNIT OF WILSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2012 and 2011**

**NOTE 2 - CASH AND INVESTMENTS**

The District maintains two bank accounts with the following balances at June 30, 2012:

Operating Account	\$ (5,040)
Savings Account	<u>247,941</u>
Total Cash	<u><u>\$ 242,901</u></u>

The District uses a "sweep account" for its operating account whereby the cash remaining in the bank at the end of the business day is "swept" into the savings account and transferred back into the operating account as needed to cover checks. Accordingly, the \$5,040 deficit shown for the operating account above represents the outstanding checks at June 30, 2012. Funds will be transferred back to the operating account from savings as needed to cover the outstanding checks.

The District also had ten certificates of deposit with a total balance at June 30, 2012 of \$1,954,830. This amount has been classified as investments on the statement of net assets. Of this amount \$124,455 was uninsured and collateralized with securities held by the bank's trust department or by an agent in the component unit's name.

Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized as follows: All deposits with financial institutions other than savings and loan associations must be collateralized in an amount equal to 105% of the value of the deposit secured thereby. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the district.

Deposits with savings and loan associations must be collateralized by one of the following methods: 1) By an amount equal to 105% of the face amount of uninsured deposits if the collateral is of the same character as that required for other financial institutions; 2) By an irrevocable letter of credit issued by the Federal Home Loan Bank; or, 3) By a surety bond issued by an insurance company licensed under the laws of the State of Tennessee whose claims paying ability is rated in the highest category by at least two nationally recognized statistical rating services.

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.**  
**A COMPONENT UNIT OF WILSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2012 and 2011**

**NOTE 2 - CASH AND INVESTMENTS-Continued**

The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits. Wilson County Emergency Communications District, Inc. had no deposits with savings and loan associations during the period under audit. The bank balances at June 30, 2012 are entirely covered by FDIC insurance and the state bank collateral pool.

**NOTE 3 - ACCOUNTS RECEIVABLE**

At June 30, 2012 the District had \$27,755 in accounts receivable. Of this amount, \$11,047 was due from AT&T, \$9,343 was due from Tennessee Telephone, and \$7,365 was due from other companies. These receivables represent amounts that are collected by the telephone companies and then remitted to the District. Each residential customer is charged \$.55 per month and each commercial customer is charged \$1.67 per month. Additionally, the District receives \$.25 per cellular phone from the Tennessee Emergency Communications Board. No allowance for uncollectible accounts is considered necessary.

**NOTE 4 – ACCRUED COMPENSATED ABSENCES**

All full-time employees of the District accrue vacation based on years of service. Vacation is earned on a calendar year basis, and must be taken in the year earned. At June 30, 2012, the District's had \$8,497 of accrued compensated absences.

**NOTE 5 - CAPITAL ASSETS**

All capital assets are recorded at historical cost. Depreciation is determined using the straight line method over the estimated useful lives of the respective assets of five to thirty-nine years. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized.

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.**  
**A COMPONENT UNIT OF WILSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2012 and 2011**

**NOTE 5 - CAPITAL ASSETS-Continued**

A summary of changes in capital assets follows:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Business Type Activites:				
Capital Assets Not Being Depreciated:				
Land	\$ 118,500	\$ -	\$ -	\$ 118,500
Other Capital Assets:				
Office Equipment	189,312	30,625	-	219,937
Building	440,466	-	-	440,466
Communications Equipment	202,502	136,047	-	338,549
Vehicles	22,710	-	-	22,710
Total Other Capital Assets at Historical Cost	854,990	166,672	-	1,021,662
Less Accumulated Depreciation for:				
Office Equipment	104,920	32,655	-	137,575
Building	166,307	17,635	-	183,942
Communications Equipment	37,201	60,907	-	98,108
Vehicles	4,164	4,542	-	8,706
Total Accumulated Depreciation	312,592	115,739	-	428,331
Other Capital Assets, Net	542,398	50,933	-	593,331
Business Type Activites Capital Assets, Net	\$ 660,898	\$ 50,933	\$ -	\$ 711,831

Depreciation expense for the year ended June 30, 2012 amounted to \$115,739.

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.**  
**A COMPONENT UNIT OF WILSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2012 and 2011**

**NOTE 5 - CAPITAL ASSETS-Continued**

	Balance			Balance
	July 01, 2010	Additions	Retirements	June 30, 2011
Business Type Activites:				
Capital Assets Not Being Depreciated:				
Land	\$ 118,500	\$ -	\$ -	\$ 118,500
Other Capital Assets:				
Office Equipment	184,857	4,455	-	189,312
Building	434,855	5,612	-	440,466
Communications Equipment	-	202,502	-	202,502
Vehicles	-	22,710	-	22,710
Total Other Capital Assets at Historical Cost	<u>619,712</u>	<u>235,279</u>	<u>-</u>	<u>854,990</u>
Less Accumulated Depreciation for:				
Office Equipment	76,285	28,635	-	104,920
Building	131,077	35,230	-	166,307
Communications Equipment	-	37,201	-	37,201
Vehicles	-	4,164	-	4,164
Total Accumulated Depreciation	<u>207,362</u>	<u>105,230</u>	<u>-</u>	<u>312,592</u>
Other Capital Assets, Net	<u>412,350</u>	<u>130,049</u>	<u>-</u>	<u>542,398</u>
Business Type Activites Capital Assets, Net	<u>\$ 530,850</u>	<u>\$ 130,049</u>	<u>\$ -</u>	<u>\$ 660,898</u>

**NOTE 6 – EQUIPMENT MAINTENANCE AND PREPAID MAINTENANCE**

During the year ended June 30, 2011 the District bought out some of the equipment that was previously leased from the telephone company. The buyout included \$202,502 for the equipment, included in capital assets above and \$134,340 of prepaid maintenance, to be credited against the maintenance charges on the remaining equipment over 60 months starting July 1, 2010. The amortization of the prepaid maintenance for the year ended June 30, 2012 was \$26,868 and was included in contracted services on the financial statements. The amount of maintenance fees paid on the remaining equipment varies from month to month. A total of \$176,530 was paid for the fiscal year ended June 30, 2012.

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.**  
**A COMPONENT UNIT OF WILSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2012 and 2011**

**NOTE 7 - RISK FINANCING ACTIVITIES**

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. Those risks include general liability, property and casualty, worker's compensation and employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE 8 - PENSION EXPENSE**

**(A) Plan Description**

Employees of Wilson County Emergency Communication District, Inc. 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 Wilson County Emergency Communications District, Inc. 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 [www.tn.gov/treasury/tcrs/ps](http://www.tn.gov/treasury/tcrs/ps)

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.  
A COMPONENT UNIT OF WILSON COUNTY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2012 and 2011**

**NOTE 8 - PENSION EXPENSE-Continued**

**(B) Funding Policy**

Wilson County Emergency Communication District, Inc. has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll. Wilson County Emergency Communication District, Inc. is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 11.60% of annual covered payroll.

The contribution requirement of plan members is set by state statute. The contribution requirement for Wilson County Emergency Communication District, Inc. is established and may be amended by the TCRS Board of Trustees.

**(C) Annual Pension Cost**

For the year ending June 30, 2012 Wilson County Emergency Communication District, Inc.'s annual pension cost of \$38,005 to TCRS was equal to Wilson County Emergency Communication District, Inc.'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% 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 five-year period.

Wilson County Emergency Communication District, Inc.'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 5 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$38,005	100.00%	\$ 0.00
June 30, 2011	\$34,907	100.00%	\$ 0.00
June 30, 2010	\$33,275	100.00%	\$ 0.00

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.  
A COMPONENT UNIT OF WILSON COUNTY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2012 and 2011**

**NOTE 8 – PENSION EXPENSE – Continued**

**(D) Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the plan was 91.75% percent funded. The actuarial accrued liability for benefits was \$0.41 million and the actuarial value of assets was \$0.37 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.03 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.32 million, and the ratio of the UAAL to the covered payroll was 10.42% 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.

(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)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$374	\$408	\$34	91.75%	\$323	10.42%
July 1, 2009	\$260	\$271	\$11	96.11%	\$289	3.64%
July 1, 2007	\$213	\$227	\$14	93.83%	\$180	7.78%

**NOTE 9 – GIS MAPPING MAINTENANCE**

During the fiscal years ended June 30, 2012 and 2011, the Wilson County Emergency Communication District, Inc. paid \$9,500 and \$9,525 respectively per year for the maintenance of a computerized mapping system that will be titled to Wilson County. Prior to 2010 Wilson County Emergency Communications District, Inc. paid half of the maintenance contract but beginning in the fiscal year ended June 30, 2011 other county agencies including the Lebanon Police Department, & WEMA now pay a portion of the mapping maintenance fees resulting in a reduced cost to Wilson County Emergency Communications District, Inc.

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.**  
**A COMPONENT UNIT OF WILSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2012 and 2011**

**NOTE 9 – GIS MAPPING MAINTENANCE-Continued**

These payments have been included in the contracted services balance on the statement of revenues, expenses, and changes in net assets. The District received a grant from the State of Tennessee to offset the costs of this project. Through June 30, 2012, the District received \$50,000 of grant funds.

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The District's full-time employees are included in Wilson County's plan for health, dental and prescription coverage. The Wilson County plan is a single employer plan that offers pre-65 retirees and dependents one of two plans depending on when the participant is hired (before or after March 1, 2000). Once a participant turns age 65, the health plan provision provides medical benefits through a Medicare Supplement Plan and prescription drug benefit through the county's self-insured plan. Upon death, retirees receive a \$2,000 life insurance benefit.

An employee who retires or becomes disabled from the District is eligible for retiree health coverage upon meeting one of the following requirements: (1) hired prior to July 1, 1992; ten years of service with the last eight consecutive, (2) hired between July 1, 1992 and August 31, 1998; age 45 with ten years of service with the last eight consecutive, or (3) hired on or after September 1, 2008; the earlier of age 55 with ten years of service with the last eight consecutive; age 60 with ten years of service with the last year under the plan; or at any age with 30 years of service.

If a retiree is eligible for health insurance coverage and spouse coverage has been in effect for a minimum of one year prior to the employee's retirement, the plan will also provide health coverage for the retiree's spouse. This coverage will continue for as long as the spouse lives, even if the retiree dies before the spouse.

Eligible retirees are not required to share the cost of health insurance. Eligible dependents and disabled former employees who do not meet retirement eligibility requirements are required to share the cost of health insurance.

**Annual OPEB Cost and Net OPEB Obligation**

The OPEB cost and net OPEB obligation were estimated based on the June 30, 2012 actuarial valuation for Wilson County's plan as a whole, which includes the District's

employees.

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.  
A COMPONENT UNIT OF WILSON COUNTY  
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2012 and 2011**

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB),- Continued**

The District's portion of the OPEB cost and obligation were computed by the actuary in a separate document. The net OPEB cost of \$87,748 for the year ended June 30, 2012 is included in employee benefits on the statements of revenues, expenses and changes in net assets.

ARC	\$ 95,904
Interest on the NPO	6,316
Adjustment to the ARC	<u>(9,644)</u>
Annual OPEB cost	92,576
Amount of contribution	<u>(4,828)</u>
Increase/(decrease) in NPO	87,748
Net OPEB obligation, 07/01/2010	<u>180,444</u>
Net OPEB obligation, 06/30/2011	<u><u>\$ 268,192</u></u>

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year end
06/30/10	Postemployment Benefits Plan	\$ 37,714	0%	\$ 37,714
06/30/11	Postemployment Benefits Plan	\$ 74,228	4%	\$ 180,444
06/30/12	Postemployment Benefits Plan	\$ 92,576	5%	\$ 268,192

**Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2012 is as follows:

Actuarial valuation date	07/01/11
Actuarial accrued liability (AAL)	\$ 731,274
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 731,274
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 232,361
UAAL as a % of covered payroll	315%

**WILSON COUNTY EMERGENCY COMMUNICATION DISTRICT, INC.**  
**A COMPONENT UNIT OF WILSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2012 and 2011**

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB),- Continued**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used to include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2012 actuarial valuation, the projected unit credit actuarial cost method was used.

The actuarial assumptions included a 3.5 percent discount rate, an annual healthcare cost trend rate of eight percent initially, reduced by decrements to an ultimate rate of 5.5 percent after five years, and an annual dental cost trend rate of five percent. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 30, 2008.

**Note 11 - Subsequent Events**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 31, 2012, the date the financial statements were available to be issued.

**WILSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.**  
**A COMPONENT UNIT OF WILSON COUNTY**  
**June 30, 2012**

**SCHEDULE OF FUNDING PROGRESS FOR PENSION**

(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)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$374	\$408	\$34	91.75%	\$323	10.42%
July 1, 2009	\$260	\$271	\$11	96.11%	\$289	3.64%
July 1, 2007	\$213	\$227	\$14	93.83%	\$180	7.78%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry date actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into effect during the year of the 2007 actuarial valuation.

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2009	\$ -	\$ 545,103	\$ 545,103	0%	N/A	N/A
1/1/2007	\$ -	\$ 463,581	\$ 463,581	0%	\$ 240,402	193%
6/30/2012	\$ -	\$ 731,274	\$ 731,274	0%	\$ 232,361	315%

**WILSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.**  
**A COMPONENT UNIT OF WILSON COUNTY**  
**SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES**  
**COMPARED TO BUDGETED REVENUES AND EXPENSES**

Year Ended June 30, 2012

	<u>Actual</u>	<u>Budgeted</u>	<u>Difference</u> <u>Over (Under)</u>
<b>Operating Revenues</b>			
Emergency Telephone Service Charge	\$ 148,786	144,000	\$ 4,786
Tennessee Emergency Communications Board-Shared Wireless Charge	345,113	342,000	3,113
Tennessee Emergency Communications Board-Operational Funding	271,948	238,000	33,948
Other Operating Revenues	268,700	241,000	27,700
<b>Total Operating Revenues</b>	<u>1,034,547</u>	<u>965,000</u>	<u>69,547</u>
<b>Operating Expenses</b>			
<b>Salaries &amp; Wages</b>			
Director	62,954	63,000	(46)
Dispatchers	251,469	258,888	(7,419)
Administrative	101,928	101,934	(6)
Longevity Pay	3,224	3,250	(26)
Overtime Pay	591	591	-
<b>Total Salaries &amp; Wages</b>	<u>420,166</u>	<u>427,663</u>	<u>(7,497)</u>
<b>Employee Benefits</b>			
Social Security	25,937	26,120	(183)
Medicare	6,066	6,108	(42)
Medical Insurance	52,131	52,150	(19)
Life Insurance	277	277	-
Unemployment Compensation	924	1,000	(76)
OPEB Cost	87,748	54,000	33,748
Retirement Contributions	38,005	38,006	(1)
<b>Total Employee Benefits</b>	<u>211,088</u>	<u>177,661</u>	<u>33,427</u>
<b>Contracted Services</b>			
Addressing/Mapping Expenses	9,500	9,500	-
Advertising	-	-	-
Audit Services	4,400	4,400	-
Data Processing	1,672	1,700	-
Janitorial Services	2,243	2,340	-
Legal Services	13,500	13,500	-
Lease/Rental Communications Equipment	176,530	149,500	27,030
Maintenance & Repairs - Mapping/Data Base Consultants	-	-	-
Maintenance Agreements	2,055	2,100	-
Buildings & Facilities	1,167	1,235	(68)
Office Equipment	5,431	5,420	11
Other Contracted Services	351	352	-
Pest Control	360	360	-
Vehicles	146	250	(104)
Fuel	1,128	1,500	(372)
<b>Total Contracted Services</b>	<u>218,483</u>	<u>192,157</u>	<u>26,326</u>

See Auditors' Report on Additional Information

**WILSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.**  
**A COMPONENT UNIT OF WILSON COUNTY**  
**SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES**  
**COMPARED TO BUDGETED REVENUES AND EXPENSES**

Year Ended June 30, 2012

	Actual	Budgeted	Difference Over (Under)
<b>Supplies &amp; Materials</b>			
Office Supplies	1,936	2,000	\$ (64)
Custodial Supplies	430	750	(320)
Data Processing Supplies	520	500	20
Small Equipment	1,212	1,300	(88)
Postage	1,062	1,100	(38)
Uniforms & Shirts	905	1,000	(95)
Utilities -			
Electric	8,854	8,860	(6)
Gas	682	1,100	(418)
Water	784	1,200	(416)
General Telephone	11,366	11,375	(9)
Cell Phone & Pagers	2,195	2,200	(5)
<b>Total Supplies &amp; Materials</b>	<u>29,946</u>	<u>31,385</u>	<u>(1,439)</u>
<b>Other Charges</b>			
Bank Charges	32	50	(18)
Dues & Memberships	2,190	2,600	(410)
Employee Testing & Exams	951	952	(1)
Insurance -			
Workers Compensation	1,252	1,252	-
Liability	1,294	1,500	(206)
Building & Contents	1,164	1,200	(36)
Vehicles	836	850	(14)
Surety Bonds	1,338	1,340	(2)
Public Training	1,781	2,000	(219)
Service Awards	1,329	1,400	(71)
Training Expenses	15	20	(5)
Travel	24,184	25,200	(1,016)
Other Charges	0	0	-
<b>Total Other Charges</b>	<u>36,366</u>	<u>38,364</u>	<u>(1,998)</u>
<b>Miscellaneous Expenses</b>	-	0	-
<b>Depreciation</b>	115,739	115,740	(1)
<b>Amortization</b>	-	27,127	(27,127)
<b>Total Operating Expenses</b>	<u>1,031,788</u>	<u>1,010,097</u>	<u>21,691</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest Income	42,679	35,000	7,679
Miscellaneous Income	-	0	-
Tennessee Emergency Communications Board Grants & Reimbursements	10,000	22,000	(12,000)
<b>Total Nonoperating Revenues/(Expenses)</b>	<u>52,679</u>	<u>57,000</u>	<u>(4,321)</u>
<b>Increase in Net Assets</b>	<u>\$ 55,438</u>	<u>\$ 11,903</u>	<u>\$ 43,535</u>

See Auditors' Report on Additional Information

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 STANDARD*

To the Board of Directors  
Wilson County Emergency Communication District, Inc.  
Lebanon, TN

We have audited the financial statements of the business-type activities of Wilson County Emergency Communication District, Inc., as of and for the year ended June 30, 2012, which collectively comprise the Wilson County Emergency Communication District, Inc.'s basic financial statements and have issued our report thereon dated December 31, 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

Management of Wilson County Emergency Communication District, Inc., is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Wilson County Emergency Communication District, Inc.'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 Wilson County Emergency Communication District, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Wilson County Emergency Communication District, Inc.'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 weakness* 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.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wilson County Emergency Communication District, Inc.'s financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Tennessee Code Annotated Section 7-86-120 state that no emergency communications district may spend money except in accordance with an adopted budget. Wilson County Emergency Communication District, Inc. expenses did exceed its adopted budget in four categories. The budget should be amended prior to spending the additional funds in order to prevent this from occurring.

We noted certain matters that we reported to management of Wilson County Emergency Communication District, Inc., in a separate letter dated December 31, 2012.

This report is intended solely for the information and use of management, the board of directors and the State of Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Demsey Vantrase & Folds, PLLC*

Lebanon, TN

December 31, 2012