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**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee

FINANCIAL STATEMENTS

June 30, 2005

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee

INTRODUCTORY SECTION

June 30, 2005

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Alcoa, Tennessee
June 30, 2005

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**Blount County Emergency Operations Center
836 Louisville Rd. Alcoa, TN 37701**

August 31, 2005

To the County Executive,
Members of the Board of Commissioners,
and Citizens of Blount County, Tennessee

Annual Financial Report

The annual financial report of the Blount County Emergency Communications District (a component unit of Blount County, Tennessee) for the fiscal year ended June 30, 2005, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter and list of official management and board members. The financial section includes, as required by Governmental Accounting Standards Board Statement No. 34, the report of the independent auditors, the management discussion and analysis, the basic financial statements and supplemental information.

The Blount County Emergency Communications District was established by a resolution of the Blount County Board of Commissioners in April 1986, and subsequently approved by the voters of Blount County, pursuant to the provisions of Tennessee Public Acts of 1984, Chapter 867. The District began operations in March 1987. The District is governed by nine (9) directors appointed by the Blount County Board of Commissioners. The District's Board employs directors and staff to conduct the daily business of the organization.

The purpose of the District is the operations of the number 911 as a single emergency telephone number through which emergency service can be quickly and efficiently obtained. The 911 system is intended to provide a simplified means of securing emergency services which will result in saving of life, a reduction in the destruction of property, quicker apprehension of criminals, and ultimately the saving of money.

Risk Management

The District acquires commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty,

workers compensation, and health insurance. All full-time employees are provided with traditional health care insurance that covers hospitalization and major medical expenses within specified limits. Employees are also provided life insurance and disability insurance. In addition, employees contribute to the Tennessee Consolidated Retirement System, with a matching share being contributed by the employer.

Cash Management

At the end of the fiscal year, June 30, 2005, the District has approximately \$431,841 in bank accounts: checking, savings, and certificates of deposit. The District sets aside 20% of each monthly revenue received from Emergency Telephone Service collected by BellSouth for future capital asset acquisitions.

Independent Audit

The financial statements of the District for the fiscal year ended June 30, 2005 have been audited by a firm of Independent Public Accountants, and their opinion is included in the Financial Section of this report.

The financial statements are the responsibility of the District. The responsibility of the Independent Public Accountants is to express an opinion on the District's financial statements based on their audit. An audit is conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that the audit be planned and performed in a manner to obtain a reasonable assurance as to whether the financial statements are free of material misstatement.

Acknowledgements

The employees of the Blount County Emergency Communications District are its most valuable asset. These individuals serve productively in the operations 24 hours a day, three hundred sixty-five days a year. They continuously provide quality services to the citizens of Blount County. It is to these committed individuals that this document is dedicated.

Respectively submitted,



Judge Bill Brewer
Chairman of the Board



Jeff Caylor
Director

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee

FINANCIAL SECTION

June 30, 2005

Ingram Overholt & Bean, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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August 31, 2005

INDEPENDENT AUDITORS' REPORT

Board of Directors
Blount County Emergency
Communications District
Alcoa, Tennessee

We have audited the accompanying financial statements of the business-type activities of the Blount County Emergency Communications District, a component unit of Blount County, Tennessee, as of and for the years ended June 30, 2005 and 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Blount County Emergency Communications District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 audits 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Blount County Emergency Communications District as of June 30, 2005 and 2004, and the changes in its financial position and its cash flows for the fiscal 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 a report dated August 31, 2005, on our consideration of the Blount County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Blount County Emergency Communication District, a component unit of Blount County, Tennessee, taken as a whole. The accompanying financial information listed in the supplemental section on pages 22 through 27 in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Blount County Emergency Communications District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Ingram, Overholt & Bean, P. C.

**Blount County Emergency Operations Center
836 Louisville Rd. Alcoa, TN 37701**

August 31, 2005

Our discussion and analysis of the Blount County Emergency Communications District's financial performance provides an overview of the District's activities for the year ended June 30, 2005. Please read it in conjunction with the transmittal letter and the District's financial statements, as listed in the Table of Contents.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the District as a whole and present a long-term view of the District's finances.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

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 Activities report information about the District and about its activities that help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's 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.

FINANCIAL HIGHLIGHTS

The operations of the Blount County Emergency Communications District (a component unit of Blount County, Tennessee) are primarily funded as follows:

	<u>6-30-05</u>	<u>6-30-04</u>
Telephone and Wireless company "911" fees	59.8%	56.3%
Reimbursements from State of Tennessee	0.6%	1.4%
Building Rentals/Utility reimbursement from tenant	3.4%	3.9%
Appropriations from Blount County, Tennessee	17.4%	18.8%
Appropriations from City of Alcoa, Tennessee	8.7%	9.4%
Appropriations from City of Maryville, Tennessee	8.7%	9.4%
Appropriations from City of Townsend, Tennessee	0.4%	0.4%
Interest income and terminal fees	1.0%	0.4%
Total funding	<u>100.0%</u>	<u>100.0%</u>

Operational costs for the E911 Center were \$1,611,264 and \$1,504,762 for the fiscal years ended June 30, 2005 and 2004, respectively. The 7% increase was chiefly the result of hiring additional dispatchers, a 3% across the board pay increase, increased costs in fringe benefits provided, and depreciation.

NET ASSETS

The analysis below focuses on the net assets and changes in net assets of the District.

	<u>2005</u>	<u>2004</u>
Current assets	\$ 562,841	\$ 506,719
Capital assets	1,088,485	1,215,473
Total Assets	1,651,326	1,722,192
Current liabilities	19,742	46,804
Net Assets:		
Invested in capital assets	1,088,485	1,215,473
Unrestricted	543,099	459,915
Total Net Assets	1,631,584	1,675,388

Net assets of the District decreased by 2.6% during the current year. Unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations, increased by 18.1%.

FINANCIAL RATIOS

The ratios of Working Capital and Days Cash demonstrate the continuing ability to finance operations with cash. The stability of the current ratio and the liabilities to net assets ratio demonstrate that the District has not financed its working capital and days cash with an increased proportion of debt. The following is a related schedule of ratios.

	<u>2005</u>	<u>2004</u>
Working Capital (the amount by which current assets exceed liabilities)	\$ 543,099	\$ 459,915
Current Ratio (compares current assets to liabilities – as an indicator of the ability to pay current obligations)	28.5	12.7
Days Cash and Investments (represents the number of days normal operations could continue with no revenue collections)	96	90
Return on Assets – illustrates to what extent there will be sufficient funds to replace assets in the future	(2.6%)	(1.5%)

CAPITAL ASSETS

At the fiscal year ended June 30, 2005, the District had \$1,088,485 invested in capital assets as outlined below (a 10.4% decrease from the last year)

	<u>2005</u>	<u>2004</u>
Land	\$ 40,000	\$ 40,000
Buildings	242,270	258,979
Improvements	286,991	303,989
Emergency 911 Equipment	517,439	607,611
Office furniture and equipment	<u>1,785</u>	<u>4,894</u>
Totals	<u>\$ 1,088,485</u>	<u>\$ 1,215,473</u>

DEBT

At the fiscal year end, the District had no outstanding bonds or notes payable. The District has plans to place 12.5% of the monthly revenue received from BellSouth for 911 fees into a savings account for future capital replacement needs.

BUDGETS

The variances between the originally adopted budget for the fiscal year ended June 30, 2005, and the final budget were caused by increased costs in the areas of personnel, maintenance and repairs, and insurance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general view of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Director of the Blount County Emergency Communications District, 836 Louisville Road, Alcoa, Tennessee 37701.

Respectively submitted,



Jeff Caylor
Director

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
STATEMENTS OF NET ASSETS
June 30, 2005 and 2004

<u>ASSETS</u>	<u>Business-type Activities</u>	
	2005	2004
CURRENT ASSETS:		
Cash	\$ 143,023	\$ 90,163
Certificates of Deposit	288,818	285,580
Accounts receivable:		
BellSouth	\$ 60,000	\$ 40,000
TN Dept of Commerce and Insurance	-	10,000
Tennessee Emergency Management Agency	5,600	5,600
Tennessee Telephone Wireless	44,000	51,604
Other – Wireless	<u>6,500</u>	<u>9,950</u>
Prepaid expenses	<u>14,900</u>	<u>13,822</u>
Total Current Assets	<u>562,841</u>	<u>506,719</u>
PROPERTY, PLANT, AND EQUIPMENT:		
Land	40,000	40,000
Building and improvements	957,608	957,608
Emergency equipment	1,326,833	1,292,013
Office equipment and furniture	<u>101,783</u>	<u>101,783</u>
	2,426,224	2,391,404
Less: Accumulated depreciation	<u>(1,337,739)</u>	<u>(1,175,931)</u>
Net Property, Plant, and Equipment	<u>1,088,485</u>	<u>1,215,473</u>
Total Assets	<u>\$1,651,326</u>	<u>\$1,722,192</u>
 <u>LIABILITIES</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 8,646	\$ 130
Accrued payroll	<u>11,096</u>	<u>46,674</u>
Total Current Liabilities	<u>19,742</u>	<u>46,804</u>
NET ASSETS:		
Invested in capital assets	1,088,485	1,215,473
Unrestricted	<u>543,099</u>	<u>459,915</u>
Total Net Assets	<u>1,631,584</u>	<u>1,675,388</u>
Total Liabilities and Net Assets	<u>\$1,651,326</u>	<u>\$1,722,192</u>

See accompanying independent auditors' report and notes to the basic financial statements.

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
STATEMENTS OF ACTIVITIES
For the Fiscal Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES		
Emergency Telephone Service Revenue – BellSouth	\$ 768,214	\$ 498,268
State Emergency Communications Board – Shared Wireless Revenue	164,763	152,458
Independent Telephone Companies Revenue	<u>-</u>	<u>132,275</u>
Total Operating Revenues	<u>932,977</u>	<u>783,001</u>
OPERATING EXPENSES:		
Salaries	811,251	781,651
Employee benefits	290,693	252,994
Contracts with private agencies	25,645	25,100
Rentals - equipment	107,532	106,969
Maintenance and repairs	63,566	41,093
Supplies and materials	23,890	23,227
Utilities	83,192	74,838
Other charges	19,911	25,374
Insurance	23,776	18,730
Depreciation	<u>161,808</u>	<u>154,786</u>
Total Operating Expenses	<u>1,611,264</u>	<u>1,504,762</u>
OPERATING INCOME (LOSS)	<u>(678,287)</u>	<u>(721,761)</u>
NON-OPERATING REVENUES:		
State reimbursement – Mapping System and Computer Upgrades	10,000	20,000
Terminal fees	1,035	1,685
Local government contributions	553,623	527,260
Interest income	16,289	4,741
Rental/Utility income	<u>53,536</u>	<u>53,707</u>
Total Non-Operating Revenues	<u>634,483</u>	<u>607,393</u>
NET INCOME (LOSS)	(43,804)	(114,368)
NET ASSETS – BEGINNING OF YEAR	<u>1,675,388</u>	<u>1,789,756</u>
NET ASSETS – END OF YEAR	<u>\$ 1,631,584</u>	<u>\$ 1,675,388</u>

See accompanying independent auditors' report and notes to the basic financial statements.

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts for telephone usage fees	\$ 945,349	\$ 831,988
Receipts for terminal fees and rentals	64,571	62,636
Payments to suppliers	(349,450)	(319,153)
Payments for salaries and fringe benefits	<u>(1,139,464)</u>	<u>(1,023,721)</u>
Net Cash Provided(Used) by Operating Activities	<u>(478,994)</u>	<u>(448,250)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	<u>(34,820)</u>	<u>(287,962)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Local government contributions	<u>553,623</u>	<u>527,260</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash deposits and certificates of deposit	<u>16,289</u>	<u>4,741</u>
NET INCREASE (DECREASE) IN CASH	56,098	(204,211)
CASH AT BEGINNING OF YEAR	<u>375,743</u>	<u>579,954</u>
CASH AT END OF YEAR	<u>\$ 431,841</u>	<u>\$ 375,743</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (678,287)	\$ (721,761)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Cash flows reported in other categories:		
Depreciation expense	161,808	154,786
Change in assets and liabilities:		
Receivables	1,054	46,231
Prepaid expenses	(1,078)	(13,822)
Accounts payable	8,516	(475)
Accrued expenses	(35,578)	11,399
Non-operating Revenues:		
Terminal fees and rentals	54,571	55,392
State reimbursement – Mapping System and Computer Upgrades	<u>10,000</u>	<u>20,000</u>
Net cash provided (used) by operating activities	<u>\$ (478,994)</u>	<u>\$ (448,250)</u>

See accompanying independent auditors' report and notes to the basic financial statements.

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District complies with accounting principles generally accepted in the United States of America (GAAP). The District uses the required *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* effective July 1, 2001. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the basic financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. After November 30, 1989, the District follows GASB pronouncements only, and does not follow any FASB guidance after November 30, 1989. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2002, the District early implemented the new financial reporting requirements of GASB Statement Nos. 33, 34, and 35. As a result, an entirely new financial presentation format has been implemented. Amounts from the prior year have been restated to facilitate comparisons with current year amounts.

A. FINANCIAL REPORTING ENTITY

The Blount County Emergency Communications District (911), a component unit of Blount County, Tennessee, was established by a resolution of the Blount County Board of Commissioners in April, 1986, and subsequently approved by the voters of Blount County, pursuant to the provisions of Tennessee Public Acts of 1984, Chapter 867. The District began operations in March 1987.

The Blount County Emergency Communications District is governed by nine (9) directors appointed by the Blount County Board of County Commissioners. Before the issuance of most debt instruments, the District must obtain the approval of the Blount County Board of County Commissioners. The District's Board employs coordinators and staff to conduct the daily business of the organization.

The purpose of the Blount County Emergency Communications District is the operations of the number 911 as a single emergency telephone number through which emergency service can be quickly and efficiently obtained. The 911 system is intended to provide a simplified means of securing emergency services which will result in saving of life, a reduction in the destruction of property, quicker apprehension of criminals, and ultimately the saving of money.

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities in accordance with special regulations, restrictions or limitations. The Statement of Net Assets and Statement of Activities display information about the reporting District as a whole. The statements present the District as a business-type activity. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity on net income measurement similar to the private sector.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the Statement of Net Assets and the Statement of Activities, business-like activities are presented using the economic resources measurement focus as defined below.

The proprietary fund utilizes an “economic resources” measurement focus. The accounting objective of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the Statement of Net Assets and Statement of Activities, a business-like activity (proprietary type) is presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Allocations of costs such as depreciation, are recorded in proprietary funds.

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the District. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments, if applicable, are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

Receivables

In the basic financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the District activities include emergency telephone service revenue and rent earned.

Capital Assets and Depreciation

In the basic financial statements, fixed assets are accounted for and capitalized as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 – 50 years
Improvements	10 – 50 years
Machinery and equipment	03 – 20 years

Compensated Absences

The District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. At June 30, 2005, the District had no liability for compensated absences or accumulated sick leave. Vacation days are required to be used during each fiscal year with no carry-over to future periods.

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

E. REVENUES AND EXPENSES

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Operating Revenues/Expenses

Operating revenues and expenses generally result from providing services in connection with the proprietary fund’s ongoing operations.

The principal operating revenue of the District is established by “tariff rate”, a flat monthly recurring telephone charge for one-party residence (\$1.10) and another rate for business exchange access service (\$2.45) within the base rate area governed by the boundaries of the District. Revenue is collected by BellSouth and remitted monthly to the District. Wireless fees are collected and remitted monthly to the District through the State of Tennessee. Operating expenses include salaries, employee benefits, purchased services, supplies, materials, and depreciation on capital assets. In the financial statements, expenses are classified by function for business-type activities by operating and non-operating.

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. REVENUES AND EXPENSES (Continued)

Non-operating Revenues/Expenses

Non-operating revenues/expenses are all other revenues and expenses not meeting the definition of operating revenues/expenses above. The District's principal non-operating revenues are rent, terminal fees, local government appropriations, and interest income.

F. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as an Emergency Communications District (E-911) unit, the entity is subject to various federal, state, and local laws and contractual regulations. An analysis of the entity's compliance with significant laws and regulations and demonstration of its stewardship over entity resources follows.

Fund accounting requirements

The E-911 complies with all state and local laws and regulations pertaining to Emergency Communications Districts as prescribed in the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* issued by the State of Tennessee, Comptroller of the Treasury, Division of County Audit, effective July 1, 2001.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Annual Budget

An annual budget is adopted by the District, approved by the Board of Directors, and submitted to the Tennessee Emergency Communications Board. The budget is based on expected expenses and estimated revenue resources. The budgetary basis is the accrual basis of accounting. If changes to estimated amounts become evident during the fiscal year, the District Board may amend the budget. All budget items lapse at the end of the fiscal year. Budgetary comparison schedules are presented in the supplemental section as required supplemental information.

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

All capital assets are valued at historical cost. Depreciation is provided over the assets estimated useful lives using the straight-line basis. Fixed assets and depreciation are as follows:

<u>Description</u>	<u>Estimated Useful Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value 6-30-05</u>
Land	-	\$ 40,000	\$ -	\$ 40,000
Building and improvements	30 years	957,608	428,347	529,261
Furniture and equipment	10 years	<u>1,428,616</u>	<u>909,392</u>	<u>519,224</u>
Totals		<u>\$ 2,426,224</u>	<u>\$ 1,337,739</u>	<u>\$ 1,088,485</u>

Depreciation expense for the fiscal year ended June 30, 2005, amounted to \$161,808.

NOTE 3 – CASH

In accordance with Governmental Accounting Standards Board Statement No. 3, the level of risk associated with amounts on deposit with financial institutions is described in the following categories:

Category 1 - Insured or collateralized with securities held by Blount County Emergency Communications District or by the District's agent in the name of the District.

Category 2 - Collateralized with securities held by the financial institution's trust department or agent in the District's name.

Category 3 - Uncollateralized - This includes any collateral securities pledged and held by the financial institution or by its trust department or agent, but not in the District's name.

The carrying amount of the District's deposits at June 30, 2005 is \$431,841.

Amounts on deposit with financial institutions \$476,085 as of June 30, 2005, are categorized as follows:

	<u>Categories:</u>		
	<u>1</u>	<u>2</u>	<u>3</u>
Cash in bank.....	\$ 187,267		
Certificates of deposit	<u>288,818</u>		
Total Cash.....	<u>\$ 476,085</u>		

Cash in excess of FDIC coverage is collateralized through the State of Tennessee Bank Collateral Pool.

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 4 – COMMITMENT – BELLSOUTH

BellSouth furnishes Stand Alone Location Identification (SALI) equipment to the Blount County Emergency Communications District at the rates prescribed by the tariffs of the Tennessee Public Service Commission (TPSC). These rates charged by BellSouth vary with increases or decreases mandated by the TPSC, and for the Per 1000 Access Lines Served for the Combined Automatic Number and SALI. The access charge is based upon the maximum number of access lines in service during the calendar year and is adjusted annually at the end of each calendar year.

The lease term with BellSouth is indefinite as to time and is currently at a rate of \$8,961 per month through December 31, 2005.

NOTE 5 – EMPLOYEES' RETIREMENT PLAN

During the fiscal year, employees of the Blount County Emergency Communications District were members of the Tennessee Consolidated Retirement System (TCRS). The TCRS is a defined benefit retirement plan covering general employees and teachers of the State of Tennessee as well as employees of political subdivisions that have elected coverage. Benefits are determined by a formula using the high five-year average salary and years of service of each employee.

Contributions to the system are determined on an actuarial basis and provide funding for both normal and supplemental liability costs. The frozen initial liability method, a projected benefit cost method, is used to value the plan. All supplemental liabilities are amortized over a 40-year period which began July 1, 1975 (or the political subdivision's date of participation, if later). The supplemental liability for the basic benefits and cost-of-living benefits is amortized as a level dollar amount. It is the policy of the plan to fund pension costs accrued.

Political subdivisions, such as the Blount 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.

For the fiscal year ended June 30, 2005, the Blount County Emergency Communications District contributed \$63,356 to the plan, in addition to \$39,921 withheld from employees.

An actuarial valuation is made every two (2) years, the most recent having been completed June 30, 2003. For valuation purposes, equities were valued based on a five-year moving market average, while debt securities were valued at amortized cost.

An experience study of the system is conducted every four (4) years, the most recent as of June 30, 2003. Amounts pertaining to the supplemental liability for the pension plan and accumulated assets in the plan, and the actuarially computed present value of vested benefits in excess of net assets of the pension fund, are not identifiable for the Blount County Emergency Communications District, since they are a department of the City of Maryville, Tennessee's TCRS plan.

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

NOTE 6 – LEASE

Tennessee Emergency Management Agency (TEMA) leases the first floor of the Blount County Emergency Communications District's operations building. Either party may terminate the lease without cause, with written notice given at least 180 days prior to termination. The lease is payable monthly, plus forty percent (40%) of the building's utilities. A new five (5) year lease was effective for July 1, 2000 at \$3,100 per month.

Following is a schedule of monthly lease rates, excluding utilities:

	<u>Monthly Rate</u>	<u>Annual Rate</u>
July 1, 2002 – June 30, 2005	\$ 3,100	\$ 37,200

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. These risks include general liability, property and casualty, worker's compensation, and employee health insurance. Settled claims have not exceeded commercial coverage in any of the past three (3) fiscal years.

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee

SUPPLEMENTAL INFORMATION
June 30, 2005

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
**SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS – BUDGET AND ACTUAL**
For the Fiscal Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2005 Actual</u>	Variance with Final Budget - Positive (Negative)
OPERATING REVENUES:				
Emergency Telephone Service Charge – BellSouth	\$ 648,300	\$ 768,214	\$ 768,214	\$ -
State Emergency Communications Board – Shared Wireless Revenue	<u>155,000</u>	<u>164,763</u>	<u>164,763</u>	-
Total Operating Revenues	<u>803,300</u>	<u>932,977</u>	<u>932,977</u>	-
OPERATING EXPENSES:				
Salaries and Wages:				
Director/Assistant Director	105,471	105,882	105,882	-
Administrative Personnel	46,819	36,663	36,663	-
Dispatchers	595,907	580,218	580,218	-
Data Processing Personnel	34,261	34,257	34,257	-
Overtime	7,500	23,631	23,631	-
Part-time Personnel	<u>34,546</u>	<u>30,600</u>	<u>30,600</u>	-
Total Salaries and Wages	<u>824,504</u>	<u>811,251</u>	<u>811,251</u>	-
Employee Benefits:				
Social Security	51,119	50,560	50,560	-
Medicare	11,955	11,762	11,762	-
Employee Insurance	160,763	163,764	163,764	-
Unemployment Compensation	1,134	1,251	1,251	-
Retirement Contributions	<u>75,000</u>	<u>63,356</u>	<u>63,356</u>	-
Total Employee Benefits	<u>299,971</u>	<u>290,693</u>	<u>290,693</u>	-
Contracted Services:				
Audit Services	6,800	6,800	6,800	-
Accounting Services	9,000	4,850	4,850	-
Janitorial Service	6,600	6,600	6,600	-
Legal Services	500	-	-	-
NCIC/TBI/TIES Services	6,920	6,955	6,955	-
Pest Control	<u>480</u>	<u>440</u>	<u>440</u>	-
Total Contracted Services	<u>30,300</u>	<u>25,645</u>	<u>25,645</u>	-
Lease/Rental:				
Communications Equipment	<u>106,542</u>	<u>107,532</u>	<u>107,532</u>	-

(Continued)

See accompanying independent auditors' report and notes to the basic financial statements.

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
**SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS – BUDGET AND ACTUAL (Continued)**
For the Fiscal Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2005 Actual</u>	Variance with Final Budget Positive (Negative)
OPERATING EXPENSES (Continued):				
Maintenance and Repairs:				
Radio Consoles	11,840	12,297	12,297	-
Lawn Maintenance	1,500	1,801	1,801	-
Computer Aided Dispatch Maintenance	20,000	20,000	20,000	-
Heat/Air Maintenance	3,500	3,094	3,094	-
Generator Maintenance	2,000	1,732	1,732	-
Logger Maintenance	-	2,257	2,257	-
Building Maintenance/Repairs	10,000	17,265	17,265	-
UPS Maintenance	3,695	3,695	3,695	-
Emergency Notification System Maintenance	<u>3,500</u>	<u>1,425</u>	<u>1,425</u>	<u>-</u>
Total Maintenance and Repairs	<u>56,035</u>	<u>63,566</u>	<u>63,566</u>	<u>-</u>
Supplies and Materials:				
Postage, Printing and Copies	1,000	842	842	-
Uniforms	5,000	5,160	5,160	-
Office Supplies	<u>16,000</u>	<u>17,888</u>	<u>17,888</u>	<u>-</u>
Total Supplies and Materials	<u>22,000</u>	<u>23,890</u>	<u>23,890</u>	<u>-</u>
Utilities:				
Electric	42,000	41,479	41,479	-
Cell Phones and Pagers	6,500	7,003	7,003	-
Telephone	33,000	30,920	30,920	-
DTN Weather Radar	2,270	3,273	3,273	-
Water	<u>400</u>	<u>517</u>	<u>517</u>	<u>-</u>
Total Utilities	<u>84,170</u>	<u>83,192</u>	<u>83,192</u>	<u>-</u>
Other Charges:				
Dues and Memberships	3,000	2,943	2,943	-
Travel and Training Expense	18,000	16,657	16,657	-
Employee Testing	-	311	311	-
Total Other Charges	<u>21,000</u>	<u>19,911</u>	<u>19,911</u>	<u>-</u>
Insurance:				
Liability Insurance	7,500	11,545	11,545	-
Commercial Property Insurance	6,500	6,984	6,984	-
Workmen's Compensation Insurance	<u>4,000</u>	<u>5,247</u>	<u>5,247</u>	<u>-</u>
Total Insurance	<u>18,000</u>	<u>23,776</u>	<u>23,776</u>	<u>-</u>

(Continued)

See accompanying independent auditors' report and notes to the basic financial statements.

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2005 Actual</u>	Variance with Final Budget Positive (Negative)
Depreciation	<u>162,000</u>	<u>161,808</u>	<u>161,808</u>	-
TOTAL OPERATING EXPENSES	<u>1,624,522</u>	<u>1,611,264</u>	<u>1,611,264</u>	-
OPERATING INCOME (LOSS)	<u>(821,222)</u>	<u>(678,287)</u>	<u>(678,287)</u>	-
Non-operating Revenues:				
State reimbursement –				
Mapping System/Computer Upgrades	-	10,000	10,000	
Interest Income	2,000	16,289	16,289	-
Contributions from Primary				
Governments:				
Blount County, Tennessee	274,044	274,044	274,044	-
City of Alcoa, Tennessee	137,022	137,022	137,022	-
City of Maryville, Tennessee	137,022	137,022	137,022	-
City of Townsend, Tennessee	5,536	5,536	5,536	-
Rental Income	37,200	37,200	37,200	-
Utility Reimbursements – Lessee	17,100	16,335	16,335	-
Terminal Fees	<u>6,000</u>	<u>1,035</u>	<u>1,035</u>	-
Total Non-operating Revenues	<u>615,924</u>	<u>634,483</u>	<u>634,483</u>	-
NET INCOME (LOSS)	(205,298)	(43,804)	(43,804)	-
NET ASSETS – BEGINNING OF YEAR	<u>1,646,752</u>	<u>1,675,388</u>	<u>1,675,388</u>	-
NET ASSETS – END OF YEAR	<u>\$1,441,454</u>	<u>\$1,631,584</u>	<u>\$1,631,584</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes to the basic financial statements.

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
SCHEDULE OF INSURANCE IN FORCE
June 30, 2005

<u>Insurance Company</u>	<u>Policy Number</u>	<u>Period</u>	<u>Description</u>
Tennessee Municipal League Risk Management Pool	TML-0381-03	11-23-04 to 11-23-05	350,000 General Liability; \$500,000 Public Officials' Liability – Errors and Omissions
Westfield Companies	CWP-3-692-320	3-31-05 to 3-31-06	Commercial Property Coverage: Building and Contents - \$1,073,933, \$1,000 Deductible; Other – Tower and 911 System - \$35,000, \$1,000 Deductible

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
SCHEDULE OF CHANGES IN FIXED ASSETS
June 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value</u> <u>June 30,</u> <u>2005</u>
Land	\$ 40,000	\$ -	\$ -	\$ 40,000	\$ -	\$ 40,000
Building	501,250	-	-	501,250	258,980	242,270
Building improvements	456,358	-	-	456,358	169,367	286,991
Emergency equipment	1,292,013	34,820	-	1,326,833	809,394	517,439
Office equipment and furniture	<u>101,783</u>	<u>-</u>	<u>-</u>	<u>101,783</u>	<u>99,998</u>	<u>1,785</u>
Totals	<u>\$ 2,391,404</u>	<u>\$ 34,820</u>	<u>\$ -</u>	<u>\$ 2,426,224</u>	<u>\$ 1,337,739</u>	<u>\$ 1,088,485</u>

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
**SCHEDULE OF INFORMATION REQUIRED BY
THE TENNESSEE EMERGENCY COMMUNICATIONS BOARD**
For the Fiscal Year Ended June 30, 2005

Number of public safety answering points:	One (1)
Address(es) of each public safety answering point(s):	836 Louisville Road Alcoa, Tennessee 37701
Type of system/equipment and database used by each public safety answering point:	Positron LifeLine 100/IAP
Director of the Blount County Emergency Communications District:	Jeff Caylor 836 Louisville Road Alcoa, TN 37701 (865) 981-7108 Fax: (865) 981-7105
Chairman of the Blount County Emergency Communications District:	Bill Brewer 836 Louisville Road Alcoa, TN 37701 (865) 981-7108 Fax: (865) 981-7105

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee

**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

June 30, 2005

**Ingram Overholt
& Bean, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS

**JOE S. INGRAM, CPA
LONAS D. OVERHOLT, CPA
ROBERT L. BEAN, CPA**

**428 MARILYN LANE
ALCOA, TENNESSEE 37701**

**TELEPHONE
865-984-1040
FACSIMILE
865-982-1665**

August 31, 2005

**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Blount County Emergency
Communications District
Alcoa, Tennessee

We have audited the financial statements of the business-type activities of the Blount County Emergency Communications District, a component unit of Blount County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 31, 2005. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Blount County Emergency Communications District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by

employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, pass-through entities, and the State of Tennessee, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Ingram, Overholt & Bean, P.C.