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COUNTY AUDIT

BLOUNT COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Alcoa, Tennessee

FINANCIAL STATEMENTS

June 30, 2007

BLOUNT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Alcoa, Tennessee

INTRODUCTORY SECTION

June 30, 2007

BLOUNT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Alcoa, Tennessee
June 30, 2007

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BLOUNT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Alcoa, Tennessee

ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2007

ROSTER OF MANAGEMENT AND BOARD MEMBERS

Director	Jeff Caylor
Assistant Director	Donna Overstreet

Board Members:

Chairman	Judge Bill Brewer
Secretary/Treasurer	Tony Crisp, Maryville Police Chief

Other Board Members:

Mr. Bob Kidd	James Berrong, Blount County Sheriff
Commissioner Steve Hargis	Ed Mitchell, Maryville Fire Chief
Commissioner Scott Helton	Roger Robinson, Alcoa Fire Chief
Ken Burge, Alcoa Police Chief	

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

August 22, 2007

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, 2007, 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, 2007, the District has approximately $765,752 in bank accounts: checking, savings, and certificates of deposit. The District sets aside excess revenues of each monthly revenue received from Emergency Telephone Service collected by AT&T (formerly BellSouth) for future capital asset acquisitions.

Independent Audit

The financial statements of the District for the fiscal year ended June 30, 2007 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, 2007

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

JOE S. INGRAM, CPA
LONAS D. OVERHOLT, CPA
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August 22, 2007

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, 2007 and 2006, 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 audits.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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, 2007 and 2006, 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 22, 2007, 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 28 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 22, 2007

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, 2007. 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:

	6-30-07	6-30-06
Telephone and Wireless company "911" fees	51.8%	63.2%
State Emergency Communications Board Operational Funding	10.6%	.7%
Building Rentals/Utility reimbursement from tenant	2.7%	3.0%
Appropriations from Blount County, Tennessee	12.4%	15.6%
Appropriations from City of Alcoa, Tennessee	6.2%	7.9%
Appropriations from City of Maryville, Tennessee	6.2%	7.9%
Appropriations from City of Townsend, Tennessee	.2%	.3%
State Emergency Communications Board grant	8.6%	-
Interest income and terminal fees	1.3%	1.4%
Total funding	100.0%	100.0%

Operational costs for the E911 Center were $1,723,504 and $1,655,828 for the fiscal years ended June 30, 2007 and 2006, respectively. The 4% increase was chiefly the result of across the board wage increase and increased costs in fringe benefits provided.

NET ASSETS

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

	2007	2006
Current assets	$ 1,022,176	$ 720,612
Capital assets	947,971	789,988
Total Assets	1,970,147	1,510,600
Current liabilities	57,454	30,815
Net Assets:		
Invested in capital assets	947,971	789,988
Unrestricted	964,722	689,797
Total Net Assets	1,912,693	1,479,785
Total Revenues	2,216,407	1,781,850
Total Expenses	1,783,499	1,655,828
Change in Net Assets	432,908	126,022

Net assets of the District increased by 29% 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 40%.

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.

	2007	2006
Working Capital (the amount by which current assets exceed liabilities)	$ 964,722	$ 689,797
Current Ratio (compares current assets to liabilities – as an indicator of the ability to pay current obligations)	17.8	23.4
Days Cash and Investments (represents the number of days normal operations could continue with no revenue collections	171	135
Return on Assets – illustrates to what extent there will be sufficient funds to replace assets in the future	21.9%	8.7%

CAPITAL ASSETS

At the fiscal year ended June 30, 2007, the District had $947,971 invested in net capital assets as outlined below (a 20% increase from the last year)

	2007	2006
Land	$ 40,000	$ 40,000
Buildings	208,855	225,562
Improvements	260,825	278,712
Emergency 911 Equipment	427,988	240,897
Office furniture and equipment	10,303	4,817
Totals	$ 947,971	$ 789,988

DEBT

At the fiscal year end, the District had no outstanding bonds or notes payable. The District places excess revenue received from AT&T (formerly 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, 2007, 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, 2007 and 2006

ASSETS	Business-type Activities 2007	2006
CURRENT ASSETS:		
Cash	$ 458,427	$ 285,576
Certificates of Deposit	307,325	297,735
Accounts receivable	135,663	116,918
Grant receivable	98,507	-
Prepaid expenses	22,254	20,383
Total Current Assets	1,022,176	720,612
PROPERTY, PLANT, AND EQUIPMENT:		
Land	40,000	40,000
Building and improvements	966,476	966,476
Emergency equipment	618,019	411,862
Office equipment and furniture	110,970	104,959
	1,735,465	1,523,297
Less: Accumulated depreciation	(787,494)	(733,309)
Net Property, Plant, and Equipment	947,971	789,988
Total Assets	$ 1,970,147	$ 1,510,600
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 38,166	$ 16,239
Accrued payroll and related benefits	19,288	14,576
Total Current Liabilities	57,454	30,815
NET ASSETS:		
Invested in capital assets	947,971	789,988
Unrestricted	964,722	689,797
Total Net Assets	1,912,693	1,479,785
Total Liabilities and Net Assets	$ 1,970,147	$ 1,510,600

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, 2007 and 2006

	2007	2006
OPERATING REVENUES		
Emergency Telephone Service Revenue	$ 925,305	$ 909,108
State Emergency Communications Board:		
Shared Wireless Revenue	222,867	217,036
Operational Funding	234,923	-
Total Operating Revenues	1,383,095	1,126,144
OPERATING EXPENSES:		
Salaries	915,908	872,614
Employee benefits	359,108	341,578
Contracts with private agencies	39,169	29,372
Rentals - equipment	104,172	106,779
Maintenance and repairs	72,050	72,041
Supplies and materials	26,296	27,354
Utilities	71,993	78,535
Other charges	23,813	30,408
Insurance	22,558	22,555
Depreciation	88,437	74,592
Total Operating Expenses	1,723,504	1,655,828
OPERATING INCOME (LOSS)	(340,409)	(529,684)
NON-OPERATING REVENUES (EXPENSES):		
State reimbursement – Mapping System and Computer Upgrades	-	12,583
Terminal fees	3,398	5,922
Local government contributions	553,623	564,874
State Emergency Communications Board Grant	190,000	-
Interest income	25,989	18,337
Rental/Utility income	60,302	53,990
Loss on Abandonment of Fixed Assets	(59,995)	-
Total Non-Operating Revenues (Expenses)	773,317	655,706
NET INCOME	432,908	126,022
NET ASSETS – BEGINNING OF YEAR	1,479,785	1,353,763
NET ASSETS – END OF YEAR	$ 1,912,693	$ 1,479,785

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, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts for telephone usage fees	$ 1,130,102	$ 1,125,626
Other Operating Receipts	297,948	59,612
Payments to suppliers	(339,995)	(364,310)
Payments for salaries and fringe benefits	(1,270,304)	(1,211,336)
Net Cash Provided(Used) by Operating Activities	(182,249)	(390,408)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(306,415)	(53,916)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Local government contributions	553,623	564,874
State Emergency Communications Board Grant	91,493	-
State Reimbursement – Mapping System & Computer Upgrades	-	12,583
Net Cash Provided from Non Capital Financing Activities	645,116	577,457
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash deposits and certificates of deposit	25,989	18,337
Purchase of Certificates of Deposits	(9,590)	(297,735)
Net Cash Provided (Used) from Investing Activities	16,399	(279,398)
NET INCREASE (DECREASE) IN CASH	172,851	(146,265)
CASH AT BEGINNING OF YEAR	285,576	431,841
CASH AT END OF YEAR	$ 458,427	$ 285,576
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ (340,409)	$ (529,684)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Cash flows reported in other categories:		
Depreciation expense	88,437	74,592
Terminal fees and rentals	63,700	59,912
Change in assets and liabilities:		
Receivables	(18,745)	(818)
Prepaid expenses	(1,871)	(5,483)
Accounts payable	21,927	7,593
Accrued expenses	4,712	3,480
Net cash provided (used) by operating activities	$ (182,249)	$ (390,408)

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, 2007

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BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
Alcoa, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

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.

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.

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, 2007, 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.

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.

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.

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. Changes in fixed assets and depreciation are as follows:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007	Accumulated Depreciation	Net Value June 30, 2007
Land	$ 40,000	$ -	$ -	$ 40,000	$ -	$ 40,000
Building	501,250	-	-	501,250	292,395	208,855
Building improvements	465,226	-	-	465,226	204,401	260,825
Emergency equipment	411,862	300,404	94,247	618,019	190,031	427,988
Office equipment and furniture	104,959	6,011	-	110,970	100,667	10,303
Totals	$ 1,523,297	$ 306,415	$ 94,247	$ 1,735,465	$ 787,494	$ 947,971

Depreciation expense for the fiscal year ended June 30, 2007, amounted to $88,437.

NOTE 3 – CASH

In order to provide a safe temporary medium for investment of idle funds, districts are authorized by TCA 6-56-106 to invest in the following:

(1) Bonds, notes, or treasury bills of the United States;
(2) Non-convertible debt securities of certain issuers;
(3) Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;
(4) Certificates of Deposit at state and federal chartered banks and savings and loans associations;
(5) Obligations of the United States or its agencies under a repurchase agreement if approved as an authorized investment by the State Director of Local Finance;
(6) Money market funds whose portfolios consist of any of the foregoing investments if approved as an authorized investment by the State Director of Local Finance; and
(7) The Local Government Investment Pool under which local monies are transferred to and invested with the State Treasurer's cash portfolio.

Cash and investments include bank balances and investments that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

NOTE 3 – CASH (Continued)

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing it exposure to fair- value losses arising from increasing interest rates.

Credit Risk – It is the District's policy to minimize custodial credit risk associated with cash deposits by utilizing financial institutions that issue deposits through the Federal Deposit Insurance Corporation and participate in the Tennessee State Collateral Pool. In addition, other investment credit risk losses are minimized by limiting investments to the safest types of securities.

NOTE 4 – COMMITMENT – AT&T

AT&T (formerly 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 $8,681 per month through December 31, 2007.

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.

NOTE 5 – EMPLOYEES' RETIREMENT PLAN (Continued)

For the fiscal year ended June 30, 2007, the Blount County Emergency Communications District contributed $96,550 to the plan, in addition to $43,834 withheld from employees.

An actuarial valuation is made every two (2) years, the most recent having been completed June 30, 2005. 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.

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 January 1, 2005 at $3,500 per month with annual escalations.

TEMA gave notice of their intention to terminate the lease. It is anticipated that TEMA will vacate the premises prior to October 1, 2007.

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

Year Ended June 30,	Amount
2008	$ 11,025

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, 2007

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, 2007

	Original Budget	Final Budget	2007 Actual	Variance with Final Budget - Positive (Negative)
OPERATING REVENUES:				
Emergency Telephone Service Charge	$ 900,000	$ 900,000	$ 925,305	$ 25,305
State Emergency Communications Board -				
Shared Wireless Revenue	205,000	205,000	222,867	17,867
Operating Funding	-	-	234,923	234,923
Total Operating Revenues	1,105,000	1,105,000	1,383,095	278,095
OPERATING EXPENSES:				
Salaries and Wages:				
Director/Assistant Director	111,876	112,500	112,256	244
Administrative Personnel	36,207	36,500	36,233	267
Dispatchers	701,137	701,137	693,982	7,155
Data Processing Personnel	36,335	39,500	36,458	3,042
Overtime	10,000	10,000	1,410	8,590
Part-time Personnel	36,626	36,626	35,569	1,057
Total Salaries and Wages	932,181	936,263	915,908	20,355
Employee Benefits:				
Social Security	57,800	57,800	56,526	1,274
Medicare	13,520	13,520	13,220	300
Employee Insurance	198,925	199,825	192,013	7,812
Unemployment Compensation	1,134	1,134	752	382
Retirement Contributions	88,000	98,000	96,597	1,403
Total Employee Benefits	359,379	370,279	359,108	11,171
Contracted Services:				
Address/Mapping Services	500	500	480	20
Audit Services	7,850	7,850	7,500	350
Accounting Services	5,300	5,300	4,800	500
Janitorial Service	7,500	7,500	6,835	665
Legal Services	500	500	-	500
NCIC/TBI/TIES Services	9,120	9,120	9,120	-
Fire and Service Providers	3,630	10,200	10,064	136
Pest Control	500	500	370	130
Total Contracted Services	34,900	41,470	39,169	2,301
Lease/Rental:				
Communications Equipment	105,972	105,972	104,172	1,800

(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, 2007

	Original Budget	Final Budget	2007 Actual	Variance with Final Budget Positive (Negative)
OPERATING EXPENSES (Continued):				
Maintenance and Repairs:				
Radio Consoles	12,084	12,370	12,366	4
Lawn Maintenance	2,000	2,000	1,380	620
Maintenance Agreements	36,950	36,950	34,223	2,727
Building Maintenance/Repairs	12,000	13,400	12,735	665
Language Line	3,000	3,000	2,226	774
Internet	9,120	9,120	9,120	-
Total Maintenance and Repairs	75,154	76,840	72,050	4,790
Supplies and Materials:				
Postage, Printing and Copies	1,500	1,500	1,316	184
Uniforms	8,000	8,000	4,685	3,315
Office Supplies	17,000	21,500	20,295	1,205
Total Supplies and Materials	26,500	31,000	26,296	4,704
Utilities:				
Electric	46,900	46,900	41,562	5,338
Cell Phones and Pagers	6,500	6,500	6,196	304
Telephone	32,000	32,000	22,576	9,424
DTN Weather Radar	1,200	1,200	1,010	190
Water	500	660	649	11
Total Utilities	87,100	87,260	71,993	15,267
Other Charges:				
Dues and Memberships	3,000	3,000	2,603	397
Travel and Training Expense	21,000	23,500	20,873	2,627
Employee Testing	1,000	1,000	-	1,000
Other	500	500	337	163
Total Other Charges	25,500	28,000	23,813	4,187
Insurance:				
Liability Insurance	12,000	12,000	10,280	1,720
Commercial Property Insurance	8,000	8,000	7,027	973
Workmen's Compensation Insurance	5,000	5,000	4,554	446
Surety Bonds	800	800	697	103
Total Insurance	25,800	25,800	22,558	3,242

(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, 2007

	Original Budget	Final Budget	2007 Actual	Variance with Final Budget Positive (Negative)
Depreciation	75,900	90,000	88,437	1,563
TOTAL OPERATING EXPENSES	1,748,386	1,792,884	1,723,504	69,380
OPERATING INCOME (LOSS)	(643,386)	(687,884)	(340,409)	347,475
Non-operating Revenues (Expenses):				
Interest Income	17,000	17,000	25,989	8,989
Contributions from Primary Governments:				
Blount County, Tennessee	274,044	274,044	274,044	-
City of Alcoa, Tennessee	137,021	137,021	137,022	1
City of Maryville, Tennessee	137,021	137,021	137,022	1
City of Townsend, Tennessee	5,536	5,536	5,536	-
State Emergency Communications Board Grant	10,000	10,000	190,000	180,000
Rental Income	43,050	43,050	43,050	-
Utility Reimbursements – Lessee	18,950	18,950	17,251	(1,699)
Loss on abandonment of fixed assets	-	(60,000)	(59,995)	5
Terminal Fees	4,000	4,000	3,398	(602)
Total Non-operating Revenues Revenues (Expenses)	646,622	586,622	773,317	186,695
NET INCOME (LOSS)	3,236	(101,262)	432,908	534,170
NET ASSETS – BEGINNING OF YEAR	1,479,785	1,479,785	1,479,785	-
NET ASSETS – END OF YEAR	$1,476,549	$1,378,523	$1,912,693	$ 534,170

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, 2007

Insurance Company	Policy Number	Period	Description
Tennessee Municipal League Risk Management Pool	TML-0381-03	11-23-06 to 11-23-07	600,000 General Liability; $1,000,000 Public Officials' Liability – Errors and Omissions
Westfield Companies	CWP-3-692-320	3-31-07 to 3-31-08	Commercial Property Coverage: Building and Contents - $2,334,500, $1,000 Deductible; Other – Tower and 911 System - $48,000, $1,000 Deductible

BLOUNT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Alcoa, Tennessee
SCHEDULE OF CHANGES IN FIXED ASSETS
June 30, 2007

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007	Accumulated Depreciation	Net Value June 30, 2007
Land	$ 40,000	$ -	$ -	$ 40,000	$ -	$ 40,000
Building	501,250	-	-	501,250	292,395	208,855
Building improvements	465,226	-	-	465,226	204,401	260,825
Emergency equipment	411,862	300,404	94,247	618,019	190,031	427,988
Office equipment and furniture	104,959	6,011	-	110,970	100,667	10,303
Totals	$ 1,523,297	$ 306,415	$ 94,247	$ 1,735,465	$ 787,494	$ 947,971

BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
Alcoa, Tennessee
SCHEDULE OF INFORMATION REQUIRED BY
THE TENNESSEE EMERGENCY COMMUNICATIONS BOARD
For the Fiscal Year Ended June 30, 2007

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 VIPER/Power 9-1-1
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
SCHEDULE OF STATE FINANCIAL ASSISTANCE
June 30, 2007

Program Name	Grant/Contract Number	Grantpr Agency	Balance 7-1-06	Cash Receipts	Expenditures	Balance 6-30-07
Equipment Reimbursement Program	N/A	Tennessee Emergency Communications Board	$ -	$ 91,493	$ 190,000	$ 98,507

BLOUNT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Alcoa, Tennessee

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

June 30, 2007

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

JOE S. INGRAM, CPA
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ALCOA, TENNESSEE 37701

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865-984-1040
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August 22, 2007

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

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, 2007, and have issued our report thereon dated August 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such as that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 the District'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 no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

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

Ingram, Overholt & Bean, P.C.