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

FINANCIAL STATEMENTS

June 30, 2008

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

INTRODUCTORY SECTION

June 30, 2008

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Alcoa, Tennessee

June 30, 2008

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

September 3, 2008

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, 2008, 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,

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, 2008, the District has approximately \$899,509 in bank accounts: checking, savings, and certificates of deposit. The District sets aside excess revenues of each monthly revenue received for future capital asset acquisitions.

Independent Audit

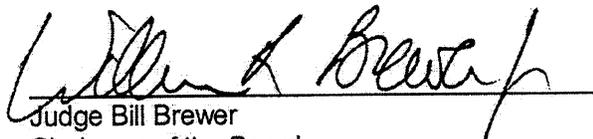
The financial statements of the District for the fiscal year ended June 30, 2008 have been audited by a firm of Independent Public Accountants, and their opinion is included in the Financial Section of this report.

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, 2008

Ingram Overholt & Bean, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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September 3, 2008

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, 2008 and 2007, 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, 2008 and 2007, 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 September 3, 2008, 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**

September 3, 2008

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, 2008. 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>6-30-08</u>	<u>6-30-07</u>
Telephone and Wireless company "911" fees	56.8%	51.8%
State Emergency Communications Board		
Operational Funding	11.7%	10.6%
Building Rentals/Utility reimbursement from tenant	.6%	2.7%
Appropriations from Blount County, Tennessee	14.2%	12.4%
Appropriations from City of Alcoa, Tennessee	7.1%	6.2%
Appropriations from City of Maryville, Tennessee	7.1%	6.2%
Appropriations from City of Townsend, Tennessee	.3%	.2%
State Emergency Communications Board grant	-	8.6%
State reimbursement – Mapping system	.7%	-
Interest income and terminal fees	1.5%	1.3%
Total funding	<u>100.0%</u>	<u>100.0%</u>

Operational costs for the E911 Center were \$1,880,078 and \$1,723,504 for the fiscal years ended June 30, 2008 and 2007, respectively. The 9% 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.

	<u>2008</u>	<u>2007</u>
Current assets	\$ 1,078,595	\$ 1,022,176
Capital assets	1,009,502	947,971
Total Assets	2,088,097	1,970,147
Current liabilities	34,322	57,454
Net Assets:		
Invested in capital assets	1,009,502	947,971
Unrestricted	1,044,273	964,722
Total Net Assets	2,053,775	1,912,693
Total Revenues	2,021,160	2,216,407
Total Expenses	1,880,078	1,783,499
Change in Net Assets	141,082	432,908

Net assets of the District increased by 7% 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 8%.

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>2008</u>	<u>2007</u>
Working Capital (the amount by which current assets exceed liabilities)	\$ 1,044,273	\$ 964,722
Current Ratio (compares current assets to liabilities – as an indicator of the ability to pay current obligations)	31.4	17.8
Days Cash and Investments (represents the number of days normal operations could continue with no revenue collections)	183	171
Return on Assets – illustrates to what extent there will be sufficient funds to replace assets in the future	6.8%	21.9%

CAPITAL ASSETS

At the fiscal year ended June 30, 2008, the District had \$1,009,502 invested in net capital assets as outlined below (a 6.5% increase from the last year).

	<u>2008</u>	<u>2007</u>
Land	\$ 40,000	\$ 40,000
Buildings	196,324	208,855
Improvements	246,519	260,825
Emergency 911 Equipment	517,483	427,988
Office furniture and equipment	<u>9,176</u>	<u>10,303</u>
Totals	<u>\$ 1,009,502</u>	<u>\$ 947,971</u>

The district's board approved a measure to place the existing facilities for sale and construct a new facility to be located at the Blount County Sheriff's Training facility. Construction cost is anticipated to be between \$2 million and \$2.5 million and will be funded from the proceeds of the sale of the existing facility.

DEBT

At the fiscal year end, the District had no outstanding bonds or notes payable. The District places excess revenue received from 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, 2008, 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 Gaylor
Director

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
STATEMENTS OF NET ASSETS
June 30, 2008 and 2007

<u>ASSETS</u>	<u>Business-type Activities</u>	
	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash	\$ 581,512	\$ 458,427
Certificates of Deposit	317,997	307,325
Accounts receivable	134,529	135,663
Grant receivable	-	98,507
Prepaid expenses	<u>44,557</u>	<u>22,254</u>
Total Current Assets	<u>1,078,595</u>	<u>1,022,176</u>
PROPERTY, PLANT, AND EQUIPMENT:		
Land	40,000	40,000
Building and improvements	966,476	966,476
Emergency equipment	767,687	618,019
Office equipment and furniture	<u>110,970</u>	<u>110,970</u>
	1,885,133	1,735,465
Less: Accumulated depreciation	<u>(875,631)</u>	<u>(787,494)</u>
Net Property, Plant, and Equipment	<u>1,009,502</u>	<u>947,971</u>
Total Assets	<u>\$ 2,088,097</u>	<u>\$ 1,970,147</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 10,161	\$ 38,166
Accrued payroll and related benefits	<u>24,161</u>	<u>19,288</u>
Total Current Liabilities	<u>34,322</u>	<u>57,454</u>
NET ASSETS:		
Invested in capital assets	1,009,502	947,971
Unrestricted	<u>1,044,273</u>	<u>964,722</u>
Total Net Assets	<u>2,053,775</u>	<u>1,912,693</u>
Total Liabilities and Net Assets	<u>\$ 2,088,097</u>	<u>\$ 1,970,147</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Emergency Telephone Service Revenue	\$ 903,977	\$ 925,305
State Emergency Communications Board:		
Shared Wireless Revenue	243,067	222,867
Operational Funding	<u>234,922</u>	<u>234,923</u>
Total Operating Revenues	<u>1,381,966</u>	<u>1,383,095</u>
OPERATING EXPENSES:		
Salaries	1,003,176	915,908
Employee benefits	400,249	359,108
Contracts with private agencies	44,851	39,169
Rentals - equipment	101,904	104,172
Maintenance and repairs	75,399	72,050
Supplies and materials	26,865	26,296
Utilities	75,632	71,993
Other charges	40,116	23,813
Insurance	23,749	22,558
Depreciation	<u>88,137</u>	<u>88,437</u>
Total Operating Expenses	<u>1,880,078</u>	<u>1,723,504</u>
OPERATING INCOME (LOSS)	<u>(498,112)</u>	<u>(340,409)</u>
NON-OPERATING REVENUES (EXPENSES):		
State reimbursement – Mapping System and Computer Upgrades	14,575	-
Terminal fees	4,603	3,398
Local government contributions	581,303	553,623
State Emergency Communications Board Grant	-	190,000
Interest income	24,992	25,989
Rental/Utility income	13,721	60,302
Loss on Abandonment of Fixed Assets	<u>-</u>	<u>(59,995)</u>
Total Non-Operating Revenues (Expenses)	<u>639,194</u>	<u>773,317</u>
NET INCOME	141,082	432,908
NET ASSETS – BEGINNING OF YEAR	<u>1,912,693</u>	<u>1,479,785</u>
NET ASSETS – END OF YEAR	<u>\$ 2,053,775</u>	<u>\$ 1,912,693</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts for telephone usage fees	\$ 1,148,178	\$ 1,130,102
Other Operating Receipts	261,391	297,948
Payments to suppliers	(446,969)	(339,995)
Payments for salaries and fringe benefits	<u>(1,398,552)</u>	<u>(1,270,304)</u>
Net Cash Provided(Used) by Operating Activities	<u>(435,952)</u>	<u>(182,249)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	<u>(149,668)</u>	<u>(306,415)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Local government contributions	581,303	553,623
State Emergency Communications Board Grant	98,507	91,493
State Reimbursement – Mapping System & Computer Upgrades	14,575	-
Net Cash Provided from Non Capital Financing Activities	<u>694,385</u>	<u>645,116</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash deposits and certificates of deposit	24,992	25,989
Purchase of Certificates of Deposits	<u>(10,672)</u>	<u>(9,590)</u>
Net Cash Provided (Used) from Investing Activities	<u>14,320</u>	<u>16,399</u>
NET INCREASE IN CASH	123,085	172,851
CASH AT BEGINNING OF YEAR	<u>458,427</u>	<u>285,576</u>
CASH AT END OF YEAR	<u>\$ 581,512</u>	<u>\$ 458,427</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (498,112)	\$ (340,409)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Cash flows reported in other categories:		
Depreciation expense	88,137	88,437
Terminal fees and rentals	18,324	63,700
Change in assets and liabilities:		
Receivables	1,134	(18,745)
Prepaid expenses	(22,303)	(1,871)
Accounts payable	(28,005)	21,927
Accrued expenses	<u>4,873</u>	<u>4,712</u>
Net cash provided (used) by operating activities	<u>\$ (435,952)</u>	<u>\$ (182,249)</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, 2008

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**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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.

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, 2008

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, 2008

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, 2008, 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, 2008

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, 2008

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, 2008

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 <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2008</u>	<u>Accumulated Depreciation</u>	Net Value <u>June 30, 2008</u>
Land	\$ 40,000	\$ -	\$ -	\$ 40,000	\$ -	\$ 40,000
Building	501,250	-	-	501,250	304,926	196,324
Building improvements	465,226	-	-	465,226	218,707	246,519
Emergency equipment	618,019	149,668	-	767,687	250,204	517,483
Office equipment and furniture	<u>110,970</u>	<u>-</u>	<u>-</u>	<u>110,970</u>	<u>101,794</u>	<u>9,176</u>
Totals	<u>\$ 1,735,465</u>	<u>\$149,668</u>	<u>\$ -</u>	<u>\$1,885,133</u>	<u>\$ 875,631</u>	<u>\$1,009,502</u>

Depreciation expense for the fiscal year ended June 30, 2008, amounted to \$88,137.

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.

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

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 its 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, 2009.

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.

**BLOUNT COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Alcoa, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 5 – EMPLOYEES' RETIREMENT PLAN (Continued)

For the fiscal year ended June 30, 2008, the Blount County Emergency Communications District contributed \$109,140 to the plan, in addition to \$49,591 withheld from employees.

An actuarial valuation is made every two (2) years, the most recent having been completed June 30, 2007. 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, 2008. 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 – 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.

NOTE 7 – OTHER COMMITMENTS

The District entered into a contract for the design of a new emergency communications facility to be located at the planned Blount County Sheriff's Training Center. The contract is in the amount of \$158,203. At June 30, 2008 no liability was incurred with respect to the contract. While the district has no firm cost of the new facility, it is anticipated that the cost will be between \$2 million and \$2.5 million and will be funded with the proceeds from the sale of the current facility.

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

SUPPLEMENTAL INFORMATION
June 30, 2008

**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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2008 Actual</u>	Variance with Final Budget - Positive (Negative)
OPERATING REVENUES:				
Emergency Telephone Service Charge	\$ 900,000	\$ 900,000	\$ 903,977	\$ 3,977
State Emergency Communications Board - Shared Wireless Revenue	440,000	205,077	243,067	37,990
Operating Funding	-	234,923	234,923	-
Total Operating Revenues	<u>1,340,000</u>	<u>1,340,000</u>	<u>1,381,967</u>	<u>41,967</u>
OPERATING EXPENSES:				
Salaries and Wages:				
Director/Assistant Director	115,240	117,912	117,912	-
Administrative Personnel	77,384	78,468	78,468	-
Dispatchers	731,689	727,163	724,681	2,482
Data Processing Personnel	74,855	74,855	70,189	4,666
Overtime	10,000	10,000	3,374	6,626
Part-time Personnel	7,782	8,552	8,552	-
Total Salaries and Wages	<u>1,016,950</u>	<u>1,016,950</u>	<u>1,003,176</u>	<u>13,774</u>
Employee Benefits:				
Social Security	63,051	63,037	61,865	1,172
Medicare	14,746	14,746	14,468	278
Employee Insurance	220,432	220,432	213,562	6,870
Unemployment Compensation	1,200	1,214	1,214	-
Retirement Contributions	110,000	110,000	109,140	860
Total Employee Benefits	<u>409,429</u>	<u>409,429</u>	<u>400,249</u>	<u>9,180</u>
Contracted Services:				
Address/Mapping Services	3,500	1,822	480	1,342
Audit Services	7,800	7,800	7,700	100
Accounting Services	5,000	5,000	4,800	200
Janitorial Service	7,500	8,925	8,925	-
Legal Services	500	500	-	500
NCIC/TBI/TIES Services	9,120	9,120	9,120	-
Other Contracted Services	6,000	6,000	5,000	1,000
Fire and Service Providers	12,000	12,000	8,449	3,551
Pest Control	500	500	377	123
Total Contracted Services	<u>51,920</u>	<u>51,667</u>	<u>44,851</u>	<u>6,816</u>
Lease/Rental:				
Communications Equipment	<u>101,652</u>	<u>101,904</u>	<u>101,904</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2008 Actual</u>	Variance with Final Budget Positive (Negative)
OPERATING EXPENSES (Continued):				
Maintenance and Repairs:				
Radio Consoles	13,600	13,600	8,265	5,335
Lawn Maintenance	1,800	1,800	1,656	144
Maintenance Agreements	55,000	55,000	45,602	9,398
Building Maintenance/Repairs	14,000	14,000	9,740	4,260
Language Line	2,700	2,700	1,016	1,684
Internet	9,120	9,120	9,120	-
Total Maintenance and Repairs	<u>96,220</u>	<u>96,220</u>	<u>75,399</u>	<u>20,821</u>
Supplies and Materials:				
Postage, Printing and Copies	1,800	1,800	1,210	590
Uniforms	8,000	8,000	5,712	2,288
Office Supplies	22,000	20,118	19,943	175
Total Supplies and Materials	<u>31,800</u>	<u>29,918</u>	<u>26,865</u>	<u>3,053</u>
Utilities:				
Electric	42,000	43,882	43,882	-
Cell Phones and Pagers	6,500	6,500	5,393	1,107
Telephone	35,000	28,133	24,867	3,266
DTN Weather Radar	1,200	1,200	916	284
Water	750	750	574	176
Total Utilities	<u>85,450</u>	<u>80,465</u>	<u>75,632</u>	<u>4,833</u>
Other Charges:				
Dues and Memberships	4,000	4,000	2,897	1,103
Travel and Training Expense	30,250	35,289	35,257	32
Employee Testing	1,000	1,000	133	867
Other	-	1,829	1,829	-
Total Other Charges	<u>35,250</u>	<u>42,118</u>	<u>40,116</u>	<u>2,002</u>
Insurance:				
Liability Insurance	12,000	12,000	11,657	343
Commercial Property Insurance	8,000	8,000	6,944	1,056
Workmen's Compensation				
Insurance	5,000	5,000	4,752	248
Surety Bonds	1,000	1,000	396	604
Total Insurance	<u>26,000</u>	<u>26,000</u>	<u>23,749</u>	<u>2,251</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2007 Actual</u>	Variance with Final Budget Positive (Negative)
Depreciation	<u>107,200</u>	<u>107,200</u>	<u>88,137</u>	<u>19,063</u>
TOTAL OPERATING EXPENSES	<u>1,961,871</u>	<u>1,961,871</u>	<u>1,880,078</u>	<u>81,793</u>
OPERATING INCOME (LOSS)	<u>(621,871)</u>	<u>(621,871)</u>	<u>(498,111)</u>	<u>123,760</u>
Non-operating Revenues (Expenses):				
Interest Income	17,000	17,000	24,992	7,992
Contributions from Primary Governments:				
Blount County, Tennessee	287,746	287,746	287,746	-
City of Alcoa, Tennessee	143,872	143,872	143,872	-
City of Maryville, Tennessee	143,872	143,872	143,872	-
City of Townsend, Tennessee	5,813	5,813	5,813	-
State Emergency Communications Board Grant	10,000	10,000	14,575	4,575
Rental Income	7,350	7,350	11,025	3,675
Utility Reimbursements – Lessee	2,800	2,800	2,696	(104)
Terminal Fees	<u>4,000</u>	<u>4,000</u>	<u>4,603</u>	<u>603</u>
Total Non-operating Revenues (Expenses)	<u>622,453</u>	<u>622,453</u>	<u>639,194</u>	<u>16,741</u>
NET INCOME	582	582	141,082	140,501
NET ASSETS – BEGINNING OF YEAR	<u>1,912,693</u>	<u>1,912,693</u>	<u>1,912,693</u>	<u>-</u>
NET ASSETS – END OF YEAR	<u>\$1,913,275</u>	<u>\$1,913,275</u>	<u>\$2,053,775</u>	<u>\$ 140,501</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, 2008

<u>Insurance Company</u>	<u>Policy Number</u>	<u>Period</u>	<u>Description</u>
Tennessee Municipal League Risk Management Pool	TML-0381-03	11-23-07 to 11-23-08	600,000 General Liability; \$1,000,000 Public Officials' Liability – Errors and Omissions
Westfield Companies	CWP-3-692-320	3-31-08 to 3-31-09	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, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value</u> <u>June 30,</u> <u>2008</u>
Land	\$ 40,000	\$ -	\$ -	\$ 40,000	\$ -	\$ 40,000
Building	501,250	-	-	501,250	304,926	196,324
Building improvements	465,226	-	-	465,226	218,707	246,519
Emergency equipment	618,019	149,668	-	767,687	250,204	517,483
Office equipment and furniture	<u>110,970</u>	<u>-</u>	<u>-</u>	<u>110,970</u>	<u>101,794</u>	<u>9,176</u>
Totals	<u>\$ 1,735,465</u>	<u>\$ 149,668</u>	<u>\$ -</u>	<u>\$ 1,885,133</u>	<u>\$ 875,631</u>	<u>\$ 1,009,502</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, 2008

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, 2008

<u>Program Name</u>	<u>Grant/Contract Number</u>	<u>Grantpr Agency</u>	<u>Balance 7-1-07</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance 6-30-08</u>
Equipment Reimbursement Program	N/A	Tennessee Emergency Communications Board	\$ 98,507	\$ 98,507	\$ -	\$ -
GIS Mapping Maintenance Grant	Z-03-016915	Tennessee Emergency Communications Board	-	14,575	14,575	-
Totals			<u>\$ 98,507</u>	<u>\$ 113,082</u>	<u>\$ 14,575</u>	<u>\$ -</u>

**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, 2008

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

JOE S. INGRAM, CPA
LONAS D. OVERHOLT, CPA
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September 3, 2008

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, 2008, and have issued our report thereon dated September 3, 2008. 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.