

**SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2008

RECEIVED

NOV 14 2008
COUNTY AUDIT

**SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT**

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INTRODUCTORY SECTION

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

SCHEDULE OF DIRECTORS AND OFFICERS
June 30, 2008

Board of Directors:

Jessie Lipoma, Chairwoman
Don Adams, Vice-Chairman
Ree Stomer, Secretary
Peggy Rutherford, Treasurer
Wayne Anderson
James Brotherton
Jerry Fleenor
James Eller
Terry Jones

Officers:

Ike D. Lowry, Director

FINANCIAL SECTION

Financial Section contains the
Basic Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sullivan County Enhanced 9-1-1
Emergency Communication District
Blountville, Tennessee

We have audited the accompanying basic financial statements of Sullivan County Enhanced 9-1-1 Emergency Communication District (the "District"), a component unit of Sullivan County, Tennessee, as of and for the year ended June 30, 2008 as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee. 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Sullivan County Enhanced 9-1-1 Emergency Communication District as of June 30, 2008 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 8-10 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. Also the required supplementary information on Page 24 is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the District, taken as a whole. The accompanying information listed as supplementary schedules in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 10, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Sullivan County Enhanced 9-1-1 Emergency Communication District (the "District"), we offer readers of our financial statements this narrative and overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. It should be read in connection with the District's financial statements and related notes included in this report.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,176,303 (net assets). Of this amount, \$830,284 (unrestricted net assets) may be used to meet the District's ongoing obligations to customers and creditors.
- The District's net assets increased by \$123,487, which was attributable to the net income of the District for the year.
- The District has accounts payable and accrued expenses of \$127,512 at June 30, 2008.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. Since the District is engaged in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. The report also contains other supporting schedules in addition to the basic financial statements themselves.

Enterprise fund financial statements. The enterprise fund financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net assets presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The basic enterprise fund financial statements can be found on pages 11 through 14 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 15 through 22 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supporting schedules including the District's budget to actual comparisons of revenues and expenses on the basis of accounting on which the District presents its budget. The other supplementary schedules can be found on pages 23 through 30 of this report.

(Continued)

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$1,176,303 at the close of the most recent fiscal year.

The District uses its capital assets to provide emergency communications services to its customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities.

	Net Assets	
	2008	2007 as restated
Current assets	\$ 957,796	\$ 805,122
Capital assets	<u>346,019</u>	<u>378,329</u>
Total assets	<u>\$ 1,303,815</u>	<u>\$ 1,183,451</u>
Long-term liabilities outstanding	\$ -	\$ -
Current liabilities	<u>127,512</u>	<u>130,635</u>
Total liabilities	<u>\$ 127,512</u>	<u>\$ 130,635</u>
Net assets:		
Investment in capital assets	\$ 346,019	\$ 378,329
Unrestricted	<u>830,284</u>	<u>674,487</u>
Total net assets	<u>\$ 1,176,303</u>	<u>\$ 1,052,816</u>

During the past fiscal year the District performed extensive remodeling to its existing building, purchased a storage building, and equipment.

(Continued)

	<u>Changes in Net Assets</u>	
	<u>2008</u>	<u>2007 as restated</u>
Revenues		
Surcharge revenue	\$ 888,409	\$ 897,832
Other revenue	<u>214,000</u>	<u>196,582</u>
Total revenues	<u>\$ 1,102,409</u>	<u>\$ 1,094,414</u>
Expenses		
Salaries and wages	\$ 189,653	\$ 129,543
Employee benefits	65,027	47,016
Contracted services	399,384	396,054
Supplies and materials	147,956	104,730
Other charges	89,585	58,210
Depreciation	<u>87,317</u>	<u>76,408</u>
Total expenses	<u>\$ 978,922</u>	<u>\$ 811,961</u>
Increase in net assets	\$ 123,487	\$ 272,965
Net assets – July 1	<u>1,052,816</u>	<u>779,851</u>
Net assets – June 30	<u>\$ 1,176,303</u>	<u>\$ 1,052,816</u>

The District's net assets increased by \$123,487 during the current fiscal year. Surcharge revenue decreased by \$9,423, or by 1.05% due primarily to a refund of incorrectly remitted surcharge revenues. Other revenue increased by \$17,418, due to increased interest income as a result of additional certificates of deposit. Expenses increased by \$166,961, largely due to increases in salaries and benefits, depreciation expense due to the addition of several fixed assets, travel expenses for training for employees, and general increases in daily expenses for operations due to the economic environment.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Sullivan County Enhanced 9-1-1 Emergency Communication District, 1570 Highway 394, Blountville, Tennessee 37617.

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

STATEMENT OF NET ASSETS
June 30, 2008

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents (Note 2)	\$ 801,293
Accounts receivable - surcharge	86,400
Prepaid expenses	<u>70,103</u>
Total current assets	<u>957,796</u>
CAPITAL ASSETS, net (Note 3)	<u>346,019</u>
Total assets	<u>1,303,815</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	65,374
Accrued expenses (Note 4)	<u>62,138</u>
Total liabilities	<u>127,512</u>
NET ASSETS	
Invested in capital assets	346,019
Unrestricted	<u>830,284</u>
Total net assets	<u>\$ 1,176,303</u>

The Notes to Financial Statements are an integral part of this statement.

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
For the Year Ended June 30, 2008

OPERATING REVENUES

Emergency telephone service charge	\$ 698,899
State Emergency Communications Board - shared wireless charge	189,510
Other	<u>12,475</u>

Total operating revenues 900,884

OPERATING EXPENSES

Salaries and wages	189,653
Employee benefits	65,027
Contracted services	399,384
Supplies and materials	147,956
Other charges	89,585
Depreciation	<u>87,317</u>

Total operating expenses 978,922

Operating loss (78,038)

NONOPERATING REVENUES

State Emergency Communications Board grants	186,619
Interest income	<u>14,906</u>

Total nonoperating revenues 201,525

Change in net assets 123,487

NET ASSETS AT JULY 1 (Restated Note 9) 1,052,816

NET ASSETS AT JUNE 30 \$ 1,176,303

The Notes to Financial Statements are an integral part of this statement.

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from 911 surcharge collections	\$ 956,228
Cash received from lessee	7,800
Cash received from other sources	4,675
Cash payment for refund of surcharge revenue	(55,870)
Cash payments to Sullivan County per contract	(267,259)
Cash payments to suppliers for goods and services	(355,196)
Cash payments to employees for services and related benefits and taxes	<u>(237,319)</u>

Net cash provided by operating activities 53,059

CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES

Proceeds from State ECB grants	186,619
Purchase of capital assets	<u>(55,007)</u>

Net cash provided by capital and related financing activities 131,612

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>14,906</u>
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Net cash provided by investing activities 14,906

Net increase in cash and cash equivalents 199,577

CASH AT BEGINNING OF YEAR 601,716

CASH AT END OF YEAR \$ 801,293

(Continued)

The Notes to Financial Statements are an integral part of this statement.

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:

Operating loss	\$ (78,038)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	87,317
Amortization of prepaid lease expense	23,200
(Increases) decreases in:	
Accounts receivable - surcharge	23,703
Increases (decreases) in:	
Accounts payable	(20,484)
Accrued expenses	<u>17,361</u>
Total adjustments	<u>131,097</u>
Net cash provided by operating activities	<u>\$ 53,059</u>

The Notes to Financial Statements are an integral part of this statement.

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1. Summary of Significant Accounting Policies

Organization

The Tennessee General Assembly's passage of Emergency Communications District Law (Acts 1984, ch. 867) declared that the establishment of a uniform emergency number to shorten the time required for a citizen to request and receive emergency aid is a matter of public concern and interest. It is the intent of communication districts to provide a simplified means of securing emergency services.

The legislative body of any municipality or county may, by ordinance or resolution, respectively, create an emergency communication district within all or part of the boundaries of such municipality or county. Prior to the establishment of such district, an election must be held and certified by the County Election Commission indicating the voters' approval of the communication district. Such an election was held in Sullivan County in August, 1986, whereby the voters approved a referendum which formed the Sullivan County Enhanced 9-1-1 Emergency Communication District (the "District").

The District is a component unit of Sullivan County, Tennessee (the "County"), as defined by Statement No. 14 of the Governmental Accounting Standards Board, "The Reporting Entity". A voting majority of the District's Board of Directors are appointed and approved by the County's County Executive and County Commission, respectively. The District must obtain County Commission approval before the issuance of most debt and the County Commission has the ability to adjust the District's service charges.

Measurement focus and basis of accounting

The District's financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the District's financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The District also has the *option* of following subsequent private-sector guidance, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are surcharge revenue. Operating expenses include the equipment expenses, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(Continued)

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

The following procedures are used by the District in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed throughout the year as a management control device.
2. Budgets are adopted on a cash basis. A reconciliation of the budgetary data to the accrual basis financial statements is included with the accompanying financial statements.
3. All budgetary data presented in the accompanying financial statements is the final approved revised data.
4. Budget items can only be revised upon approval of the Board of Directors.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all cash on hand, in bank, and all highly liquid investments (including restricted assets) including certificates of deposit to be cash and cash equivalents.

Surcharge Revenue

The District recognizes surcharge revenue as earned. Embarq, BTES and Charter, the local telephone 'service supplier's', collect and remit surcharge revenues to the District on a monthly basis. Surcharge revenue collections are being remitted to the District within thirty (30) days subsequent to the last business day of the preceding month. The service supplier's are entitled to and retains three percent (3%) of their collected surcharges as an administrative fee. The District also receives revenue from the State of Tennessee for wireless revenue. This revenue is equivalent to 25% of the revenue generated by wireless communications and is based on a proportion of the population of each District. These funds are remitted to the District on a bi-monthly basis. The District, and all properties at any time owned by it, are exempt from all taxation in the State of Tennessee (Acts 1984, ch. 867).

Depreciation

Depreciation for capital assets is provided on the straight-line method over the estimated useful lives, which range from three years for office and training equipment to twenty-five years for the buildings. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain and loss is recognized in income as incurred.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(Continued)

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1. Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

Note 2. Cash and Cash Equivalents

State statutes authorize the District to invest in obligations of the federal government, state government, the state investment pool, certificates of deposit and other time deposits, and repurchase agreements.

All of the District's cash and cash equivalents were deposited with financial institutions at June 30, 2008. All deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits were fully collateralized by the Tennessee Bank Collateral Pool.

Note 3. Capital Assets

Capital asset activity for the year was as follows:

	<u>Beginning</u> <u>July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30</u>
Capital assets, being depreciated				
Automobiles	\$ 59,011	\$ -	\$ -	\$ 59,011
Office and training equipment	170,847	27,671	-	198,518
Machinery and equipment	182,775	-	-	182,775
Other equipment	9,992	-	-	9,992
Furniture and fixtures	35,449	1,457	-	36,906
Buildings	<u>263,446</u>	<u>25,879</u>	<u>-</u>	<u>289,325</u>
Total capital assets, being depreciated	<u>721,520</u>	<u>55,007</u>	<u>-</u>	<u>776,527</u>

(Continued)

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 3. Capital Assets (Continued)

	<u>Beginning July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30</u>
Less accumulated depreciation for				
Automobiles	\$ (32,712)	\$ (7,308)	\$ -	\$ (40,020)
Office and training equipment	(102,015)	(30,956)	-	(132,971)
Machinery and equipment	(56,611)	(31,550)	-	(88,161)
Other equipment	(9,154)	(157)	-	(9,311)
Furniture and fixtures	(5,472)	(5,148)	-	(10,620)
Buildings	<u>(145,427)</u>	<u>(12,198)</u>	<u>-</u>	<u>(157,625)</u>
Total accumulated depreciation	<u>(351,391)</u>	<u>(87,317)</u>	<u>-</u>	<u>(438,708)</u>
Total capital assets, depreciated, net	370,129	(32,310)	-	337,819
Capital assets, not being depreciated				
Land	<u>8,200</u>	<u>-</u>	<u>-</u>	<u>8,200</u>
Total capital assets, net	<u>\$ 378,329</u>	<u>\$ (32,310)</u>	<u>\$ -</u>	<u>\$ 346,019</u>

Depreciation expense for the fiscal year ended June 30, 2008 was \$87,317.

Note 4. Accrued Expenses

Accrued expenses consist of the following:

Accrued salaries and related expenses	\$ 9,596
Accrued vacations	<u>52,542</u>
Totals	<u>\$ 62,138</u>

Accrued salaries and related expenses represents the amount owed for salaries and related expenses earned but not paid as of June 30. Accrued vacations represent the cost of accumulated vacation earned but not taken through June 30, at current wage rates. Actual payment of the employee benefits will occur in future periods.

Note 5. Tennessee Consolidated Retirement System

A. Plan Description

Employees of Sullivan County Enhanced 9-1-1 Emergency Communication District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan

(Continued)

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 5. Tennessee Consolidated Retirement System (Continued)

A. Plan Description (Continued)

administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Sullivan County Enhanced 9-1-1 Emergency Communication District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://treasury.state.tn.us/tcrs/PS/>.

B. Funding Policy

Sullivan County Enhanced 9-1-1 Emergency Communication District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Sullivan County Enhanced 9-1-1 Emergency Communication District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 21.24% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Sullivan County Enhanced 9-1-1 Emergency Communication District is established and may be amended by the TCRS Board of Trustees.

C. Annual Pension Cost

For the year ending June 30, 2008, Sullivan County Enhanced 9-1-1 Emergency Communication District's annual pension cost of \$31,794 to TCRS was equal to Sullivan County Enhanced 9-1-1 Emergency Communication District's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of asset

(Continued)

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 5. Tennessee Consolidated Retirement System (Continued)

C. Annual Pension Cost (Continued)

was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Sullivan County Enhanced 9-1-1 Emergency Communication District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 13 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information				
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
6/30/08	\$ 31,794	100.00%	\$ -	
6/30/07	\$ 24,855	100.00%	\$ -	
6/30/06	\$ -	100.00%	\$ -	

D. Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 77.72% percent funded. The actuarial accrued liability for benefits was \$0.40 million, and the actuarial value of assets was \$0.31 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.09 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.12 million, and the ratio of the UAAL to the covered payroll was 76.45% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollars amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2007	\$ 312	\$ 401	\$ 89	77.72%	\$ 117	76.45%

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 6. Leases

The District entered into an operating lease agreement on March 14, 2006 with United Telephone-Southeast, d.b.a. Embarq to be provided with a CML Rescue – STAR System. The lease is for a term of 60 months with monthly payments due in the amount of \$2,900 after an upfront payment of \$116,000. The total lease amount of \$174,000 is being amortized over the life of the lease. The District has an option at the end of the lease to replace the equipment and begin a new lease or continue the current lease with monthly payments of \$2,900 for an additional 36 months. The current lease expires March 31, 2011.

Minimum future annual lease payments are as follows:

<u>Year Ending</u>	
2009	\$ 34,800
2010	34,800
2011	<u>25,200</u>
	<u>\$ 94,800</u>

Total lease/rent expense for the year was \$60,845.

The District is a lessor of certain real property under short-term agreements with a single lessee.

Note 7. Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District maintains commercial insurance coverage for each of the above risks of loss. Workman's compensation insurance is retrospectively rated. Premium variance is not considered material. Management believes the coverage obtained through its commercial insurance policies is adequate to preclude any significant uninsured risk exposure to the District. There were no significant reductions in insurance coverage from the prior year and no settlements that exceeded the amount of insurance coverage since the inception of the District. Claims experienced in the fiscal year 2008 are considered by management to be insignificant.

Note 8. Inter-local Cooperation Agreement

The Sullivan County, Tennessee, County Commission approved the Inter-local Cooperation Agreement Providing for Emergency Communication Service between Sullivan County, Tennessee, (the "County"), the Sullivan County Sheriff, (the "Sheriff"), and Sullivan County Enhanced 9-1-1 Emergency Communication District, (the "District"). Under terms of the agreement, the County and the Sheriff shall provide the physical facilities and employees necessary to operate and maintain an emergency communication service for the District for the period beginning July 1, 2007 and ending on June 30, 2008. The County, by and through the Sheriff, shall provide a public safety answering point and central dispatch and qualified employees to operate an emergency communications service for the District. The agreement calls for the Sheriff to hire six District employees to become "at-will" employees of the County. In return for the facilities and the employees for the one-year period specified, the District agrees to pay to the County \$267,259 in twelve equal monthly installments. The agreement calls for annual renewal upon approval by the County, the Sheriff and the District. The agreement was renewed under the same terms for the subsequent fiscal year. For the year ended June 30, 2008, there were no amounts owed to the Sheriff's Department.

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 9. Restatement

The June 30, 2007 financial statements have been restated to reflect \$72,688 in additional accounts payable not previously recorded, due to incorrectly remitted surcharge revenues by a service provider. The restatement increased accounts payable and decreased surcharge revenues by \$72,688, thus decreasing beginning net assets by the same amount.

REQUIRED SUPPLEMENTARY INFORMATION

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

SCHEDULE OF FUNDING PROGRESS
For the Year Ended June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$ 312	\$ 401	\$ 89	77.72%	\$ 117	76.45%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

SUPPLEMENTARY SCHEDULES

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

STATEMENT OF REVENUES AND EXPENSES - DETAIL
For the Year Ended June 30, 2008

CONTRACTED SERVICES

Addressing and mapping expenses	\$ 1,570
Audit services	6,000
Accounting services	350
Administrative fees - service charge	26,494
Contracts with government agencies (Note 8)	267,259
Lease/rental - communications equipment	58,000
Lease/rental - office equipment	2,845
Maintenance and repairs - communications equipment	26,115
Maintenance and repairs - buildings and facilities	6,540
Maintenance and repairs - office equipment	602
Maintenance and repairs - vehicles	3,609
	<u>\$ 399,384</u>

SUPPLIES AND MATERIALS

Data processing supplies	\$ 783
Office supplies	12,289
Small equipment purchase	15,625
Postage	591
Utilities - electric	3,795
Utilities - gas	884
Utilities - water	218
Utilities - general telephone	99,917
Utilities - cell phones and pagers	13,854
	<u>\$ 147,956</u>

OTHER CHARGES

Dues and memberships	\$ 1,625
Board meeting	428
Capital asset purchase	419
Legal notices	1,080
Uniforms and shirts	4,733
Insurance - workers compensation	709
Insurance - buildings and contents	7,046
Insurance - vehicles	2,363
Premiums on surety bonds	2,040
Public education	17,836
Training expenses	13,970
Travel expenses	35,148
Miscellaneous	2,188
	<u>\$ 89,585</u>

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

STATEMENT OF REVENUES AND EXPENSES DETAIL -
BUDGET TO ACTUAL COMPARISON - BUDGETARY BASIS
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
INCOME				
Emergency phone service charges	\$ 745,685	\$ 745,685	\$ 557,264	\$ (188,421)
SECB shared wireless charge	323,000	323,000	186,787	(136,213)
Other surcharge revenue	-	-	168,061	168,061
Agency reimbursements	500	500	220	(280)
Training revenue	-	-	1,027	1,027
Interest income	200	200	14,906	14,706
ST ECB grants	10,000	10,000	186,619	176,619
Rental income	7,800	7,800	7,800	-
Other income	-	-	3,428	3,428
	<u>1,087,185</u>	<u>1,087,185</u>	<u>1,126,112</u>	<u>38,927</u>
EXPENSES				
Salaries & wages	179,749	179,749	174,327	5,422
Employee benefits	71,318	71,318	62,992	8,326
Contracted services	344,059	328,759	302,362	26,397
Communications equipment lease	57,000	57,000	34,800	22,200
Office equipment rental/lease	3,000	3,000	2,845	155
Vehicles lease/rentals	2,100	2,100	-	2,100
Maint. communications equip. & software	15,000	27,000	26,115	885
Maint. buildings & facilities	8,000	8,000	6,540	1,460
Maint. office equip.	6,000	3,800	602	3,198
Maint. vehicles	5,000	5,000	3,609	1,391
Office supplies & postage	24,800	27,000	26,953	47
Electric utility	4,500	4,500	3,795	705
Gas utility	1,900	1,900	884	1,016
Water utility	350	350	218	132
General telephone	105,000	105,000	99,917	5,083
Cell phone & pagers	14,770	14,770	13,854	916
Workers compensation insurance	1,500	1,500	709	791
Buildings/contents insurance	7,500	7,500	7,046	454
Vehicles insurance	2,900	2,900	2,363	537
Legal notices	1,650	1,650	1,080	570
Licenses and fees	1,500	1,500	-	1,500
Premiums on surety bonds	5,100	5,100	2,040	3,060
Public education	17,900	17,900	17,836	64
Training expenses	16,000	15,000	13,970	1,030
Reverse 911	1,000	1,000	-	1,000

(Continued)

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

STATEMENT OF REVENUES AND EXPENSES DETAIL -
BUDGET TO ACTUAL COMPARISON - BUDGETARY BASIS
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENSES (Continued)				
Travel expenses	\$ 36,000	\$ 36,000	\$ 35,148	\$ 852
Other charge expense	61,620	64,920	8,975	55,945
Capital purchases	54,600	55,600	44,213	11,387
Total expenses	1,049,816	1,049,816	893,193	156,623
CHANGE IN NET ASSETS	\$ 37,369	\$ 37,369	\$ 232,919	\$ 195,550
Change in net assets (budgetary basis)			\$ 232,919	
Adjustments:				
To adjust for net accruals and deferrals			(66,328)	
To record purchases of fixed assets			44,213	
To record depreciation			(87,317)	
			\$ 123,487	

The above Statement of Revenues and Expenses - Detail; Budget to Actual Comparison presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of resultant basis and timing differences in the change in net assets for the year ended June 30, 2008 is presented above.

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

SCHEDULE OF PUBLIC SAFETY ANSWERING POINTS (PSAP) (UNAUDITED)
June 30, 2008

5 Public Safety Answering Points (PSAP), all located at:

Sullivan County Sheriff's Office
140 Blountville Bypass
Blountville, TN 37617

CML RescueSTAR 911 Emergency Communications System:

RescueSTAR Double Shelf w/3 Data I/F & 3 L/T – AC Version
5 SenTinal Answering Positions e/w Minitower PC's & 17" SVGA Monitors
911 trunk and administrative and emergency access line ports
RescueSTAR SMART Administrative Position including MIS, Maintenance and Reconfiguration level Software
RescueSTAR Hardware and Software
Sentinel trainer instructional

Mr. Ike Lowry
Director
Sullivan County Enhanced 9-1-1 Emergency Communication District
341 Hickory Lane
Bluff City, TN 37618
(423) 538-4223

Ms. Jessie Lipoma
Chairwoman
Sullivan County Enhanced 9-1-1 Emergency Communication District
430 Impala Drive
Kingsport, TN 37660
(423) 378-5882

SULLIVAN COUNTY ENHANCED 9-1-1
EMERGENCY COMMUNICATION DISTRICT

SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)
June 30, 2008

<u>Effective Date</u>	<u>Expiration Date</u>	<u>Insurer/Agent</u>	<u>Policy Numbers</u>
Commercial Liability, Property and Casualty, and Employee Dishonesty Package			
6/30/07	6/30/08	American Alternative Insurance Corporation VFIS / Mark Bowery Insurance	VFIS-TR-2055773-00
Commercial Automobile			
6/30/07	6/30/08	American Alternative Insurance Corporation VFIS / Mark Bowery Insurance	VFIS-CM-1053521-00
Workers Compensation			
3/01/08	3/01/09	The Hartford Insurance	20-WECPH-4020
Directors' Bonds			
Various	Various	Bond Insurance Agency VFIS / Mark Bowery Insurance	Various

SCHEDULE OF SURCHARGE RATES

Surcharge rates in effect July 1, 2007 through June 30, 2008, were \$1.50 per month for residential customers and \$3.00 (for each line up to 100 lines) for commercial customers.

COMPLIANCE SECTION

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

To the Board of Directors
Sullivan County Enhanced 9-1-1
Emergency Communication District
Blountville, Tennessee

We have audited the basic financial statements of the Sullivan County Enhanced 9-1-1 Emergency Communication District (the "District"), a component unit of Sullivan County, Tennessee, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such 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. We consider the deficiency described below to be a significant deficiency over financial reporting.

During the year, it came to the District's attention that the District has been incorrectly receiving surcharge revenues from a service provider for other local Emergency Communications Districts. Thus, the District's surcharge revenues have been overstated for the past 3 fiscal years. The District had no way of ascertaining that the service provider was remitting an incorrect amount of surcharge revenue due to the fact that Tennessee statutes, governing Emergency Communications Districts, prohibit Districts from obtaining the number of land lines that certain service providers are servicing. However, Statements on Auditing Standards No. 112 indicates that the restatement of previously issued financial statements to reflect the correction of a material misstatement is regarded to be at least a significant deficiency and a strong indicator of a material weakness.

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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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

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 *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 10, 2008.

This report is intended solely for the information and use of the Board of Directors, management, and state and federal regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 10, 2008