

McMinn County Emergency Communications District

Financial Statements with Accompanying Information Year Ended June 30, 2009

with
Independent Auditors' Report

McMINN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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HG&A ASSOCIATES, P.C.

Certified Public Accountants

Independent Auditors' Report

Board of Directors
McMinn County Emergency Communications District
Athens, Tennessee

We have audited the accompanying balance sheet of the McMinn County Emergency Communications District, a component unit of McMinn County, Tennessee, as of June 30, 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the McMinn County Emergency Communications District as of June 30, 2009, and the changes in financial positions 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 October 20, 2009, on our consideration of the McMinn County Emergency Communications District's internal control over financial reporting and 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 considered in assessing the results of our audit.

Richard A. Goldstine • J. Wesley Edmondson • John C. Pannell • Tim Royster • Jenny C. Raines • Michelle Herrell

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The CPA. Never Underestimate The Value.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the McMinn County Emergency Communications District taken as a whole. The other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the McMinn County Emergency Communications District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

HGA Associates, P.C.

October 20, 2009

McMinn County Emergency Communications District

1107 S. Congress Parkway, Athens, Tennessee 37303-2403
(423) 745-7698 Fax (423) 744-1607

Management's Discussion and Analysis

Our discussion and analysis of the McMinn County Emergency Communications District's (the "District") financial performance provides an overview of the District's activities for the year ended June 30, 2009. Please read it in conjunction with 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 balance sheet and the statement of revenues, expenses and changes in net assets provide information about the District as a whole and present a long-term view of the District's finances.

THE BALANCE SHEET AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

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 balance sheet and the statement of revenues, expenses, and changes in net assets 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.

CONDENSED BALANCE SHEET

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

	<u>2009</u>	<u>2008</u>
Current assets	\$ 882,000	890,794
Capital assets	1,203,573	983,190
Other assets	<u>4,784</u>	<u>7,176</u>
Total Assets	\$ <u>2,090,357</u>	<u>1,881,160</u>
Current liabilities	\$ 31,097	368
Noncurrent liabilities	<u>7,904</u>	<u>-</u>
Total Liabilities	<u>39,001</u>	<u>368</u>
Net assets:		
Invested in capital assets	1,179,829	983,190
Unrestricted	<u>871,527</u>	<u>897,602</u>
Total Net Assets	<u>2,051,356</u>	<u>1,880,792</u>
Total Liabilities and Net Assets	\$ <u>2,090,357</u>	<u>1,881,160</u>

The District's net assets increased by approximately 9% during the current year while unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations, decreased by approximately 3%. This was due primarily to funding in fiscal year 2008 from the State of Tennessee Emergency Communications Board and McMinn County, Tennessee to assist in the cost of a backup center in Etowah, Tennessee and the cost of furnishing the equipment for that backup center that were expended within fiscal year 2009. The net asset increase was primarily due to the expenditure of funds to complete the equipment upgrades for the Athens center and the furnishing of the Etowah backup center from the funding received in fiscal year 2008.

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

	<u>2009</u>	<u>2008</u>
Revenues:		
Emergency telephone charges	\$ 231,011	252,713
Tennessee ECB shared wireless charges	<u>257,607</u>	<u>233,124</u>
Total operating revenues	488,618	485,837
Total operating expenses	<u>823,826</u>	<u>788,262</u>
Operating loss	(335,208)	(302,425)
Non-operating revenues	<u>505,772</u>	<u>705,599</u>
Change in net assets	170,564	403,174
Net assets – beginning of year	<u>1,880,792</u>	<u>1,477,618</u>
Net assets – end of year	\$ <u>2,051,356</u>	<u>1,880,792</u>

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

	<u>2009</u>	<u>2008</u>
Emergency telephone surcharges	23.3%	21.2%
State of Tennessee shared wireless fee	26.0%	19.6%
Contributions from McMinn County Government	35.0%	45.1%
Grants from State Emergency Communications Board	10.8%	8.2%
Contributions from other local governments and agencies	1.6%	1.6%
Interest income	1.7%	2.7%
Rental income	<u>1.6%</u>	<u>1.6%</u>
Total funding	<u>100.0%</u>	<u>100.0%</u>

Operational costs for the E911 Center were \$823,826 for the fiscal year ended June 30, 2009, which was approximately a 5% increase from the prior year. The primary increase was in the depreciation costs due to the addition of the backup Center in Etowah.

CAPITAL ASSETS

At the fiscal year ended June 30, 2009, the District had \$1,203,573 in capital assets, an increase of 22.47% over the last year's balance of \$983,190. This change is related to the acquisition of capital assets of \$347,896 less current year depreciation expense of \$127,513. The largest part of the costs was directly related to the cost of equipping the backup center in Etowah with the appropriate dispatch and related communications equipment and updating much of the radio and telephone equipment in Athens. Additional information concerning the capital assets of the District can be found on page 15 of this report.

DEBT

At the end of the current fiscal year, the District's had debt in relation to a capitalized lease outstanding of \$15,318. Additional information on the District's debt can be found on page 15 of this report.

BUDGETS

In order to prevent budget overruns, the line items of the District were amended by Board approval from \$1,037,655 in operating expenses to \$1,144,858. The increase was primarily related to the equipment costs of the centers' in Etowah and Athens as a result of the receipt of grant funds from the Tennessee Emergency Communications Board.

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 Executive Director of the McMinn County Emergency Communications District, 1107 S. Congress Parkway, Athens, Tennessee 37303-2403.

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Balance Sheet
June 30, 2009

Assets

Current assets:

Cash	\$	795,981
Accounts receivable:		83,627
Prepaid software maintenance		2,392
		882,000

Capital assets:

Land		99,557
Building and improvements		785,551
Equipment and furnishings		1,024,764
Vehicles		65,814
		1,975,686
Less: allowance for depreciation		772,113
		1,203,573

Other assets:

Prepaid software maintenance - less current portion		4,784
		\$ 2,090,357

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	3,378
Accrued vacation pay		20,157
Due to McMinn County general fund		148
Capitalized lease obligation		7,414
		31,097

Capitalized lease obligations - long-term

Total liabilities		39,001
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Net assets:

Invested in capital assets		1,179,829
Unrestricted net assets		871,527
		2,051,356
Total net assets		\$ 2,090,357

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

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2009

Operating revenue:	
Emergency telephone surcharge	\$ 231,011
State Emergency Communications Board - shared wireless charge	<u>257,607</u>
	<u>488,618</u>
Operating expenses:	
Salaries and wages	415,934
Employee benefits	120,247
Contracted services	98,451
Supplies and materials	36,211
Depreciation	127,513
Other charges	<u>25,470</u>
Total operating expense	<u>823,826</u>
Operating loss	<u>(335,208)</u>
Nonoperating revenue:	
Rent - office space	18,600
Interest	16,558
Contributions from primary government	347,783
Contributions from other governments and agencies	15,628
State Emergency Communications Board - grants	<u>107,203</u>
Total nonoperating revenue	<u>505,772</u>
Change in net assets	170,564
Total net assets - beginning of year	<u>1,880,792</u>
Total net assets - end of year	<u>\$ 2,051,356</u>

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

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Statement of Cash Flows

For the Year Ended June 30, 2009

Cash flows from operating activities:	
Cash received from customers	\$ 446,440
Cash payments for goods and services	(135,982)
Cash payments for employees	<u>(516,024)</u>
Net cash used by operating activities	<u>(205,566)</u>
Cash flows from noncapital financing activities:	
Contributions from primary government	347,783
Contributions from other governments and agencies	15,628
Grants from State Emergency Communications Board	<u>107,203</u>
Net cash provided by noncapital financing activities	<u>470,614</u>
Cash flows used by capital and related financing activities:	
Acquisition of equipment	(324,152)
Principal paid on capital lease obligations	<u>(8,426)</u>
Net cash used by capital and related financing activities	<u>(332,578)</u>
Cash flows provided by investing activities:	
Interest received	<u>16,558</u>
Net decrease in cash	(50,972)
Cash - beginning of the year	<u>846,953</u>
Cash - end of the year	<u><u>\$ 795,981</u></u>

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Statement of Cash Flows (continued)

For the Year Ended June 30, 2009

Reconciliation of operating loss to net
cash used by operating activities:

Operating loss	\$ <u>(335,208)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	127,513
Amortization of prepaid software maintenance	2,392
Rent - office space	18,600
Changes in operating assets and liabilities:	
Increase in accounts receivable	(42,178)
Increase in accounts payable	3,303
Increase in accrued vacation pay	20,157
Decrease in due to McMinn County general fund	<u>(145)</u>
Total adjustments	<u>129,642</u>
Net cash used by operating activities	\$ <u><u>(205,566)</u></u>

Noncash Investing, Capital, and Financing Activities:

Capital lease obligations	\$ <u><u>23,744</u></u>
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The notes to financial statements are an integral part of these statements.

McMINN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2009

1. Summary of Significant Accounting Policies

(a) Nature of Business

The McMinn County Emergency Communications District (the "District"), commonly referred to as E-911, was established to provide services under the Emergency Communications District Law, Tennessee Code Annotated, Chapter 86. The District was created by a resolution of the McMinn County Commissioners on December 19, 1988, after adoption by public referendum on November 8, 1988. Under its enabling legislation, the District is a municipality with powers of perpetual success but without any power to levy or collect taxes. Charges for services authorized shall not be considered as taxes. The powers of the District are vested in and exercised by a majority of the members of the board of directors of the District who are appointed by the District's primary government.

The District is a discretely presented component unit of McMinn County, Tennessee and the financial statements are presented in both the District's separate financial report and within the McMinn County, Tennessee report. The District is considered a discretely presented component unit of McMinn County, Tennessee as defined under the criteria set forth in Governmental Accounting Standards Board Statement 14 because the District would be unable to issue debt without going through McMinn County, Tennessee.

(b) Basis of Accounting

The financial statements of the District are reported on the accrual basis. In accordance with the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts issued by the Tennessee Office of the Comptroller of the Treasury, the District is required to apply all pronouncements of the Governmental Accounting Standards Board (GASB) and pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 that do not conflict with those of the Governmental Accounting Standards Board. After November 30, 1989 the District is required to follow only GASB guidance and not follow any FASB guidance issued after that date.

(c) Receivables

The accounts receivable – surcharges balance of \$83,627 primarily represents amounts due from Bell South and Tellico Telephone Company for the surcharge on McMinn County telephone services for the month of June 2009 and wireless commissions due from the State of Tennessee for May and June of 2009.

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2009

1. Summary of Significant Accounting Policies (continued)

(d) Capital Assets

Capital assets consists of property and equipment and is stated at cost, less accumulated depreciation computed on the straight-line method over their estimated useful lives as follows: buildings - forty years; equipment and furnishings - five to seven years; building improvements - twenty-five years; vehicle - five years. When assets are retired or otherwise disposed of, the average cost is removed from the asset account and the accumulated depreciation account. Removal cost, less any salvage value, is charged or credited to the accumulated depreciation account. The cost of maintenance and repairs is charged to earnings as incurred.

(e) Compensated Absences

The District has adopted the policy of McMinn County, Tennessee, which permits its employees to accumulate, in varying amounts, earned but unused vacation and sick pay benefits. Annual vacation time accrues at a rate of ½ day per month during the first twelve months of employment, one day per month for employment years two through ten and at one day and a half for each year thereafter. Employees cannot accumulate time in excess of 24 days.

All accumulated vacation time is paid to employees unless they are terminated for cause. Sick leave accrues at the rate of ½ day per month, during the first five years of continuous employment and increases to one day per month in the sixth year. There are no limits on the amount of sick leave that can be accumulated, but no payment is made to employees for unused sick leave unless they meet the requirements for retirement incentives. This retirement incentive is met when an employee meets the requirement under the Tennessee Consolidated Retirement System of a full service retirement. For those employees meeting that requirement payment for unused sick leave will be paid at the rate of one-half the minimum substitute teacher pay paid by the McMinn County Board of Education.

\$20,157 has been recorded as accrued vacation pay for this reporting period.

(f) 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)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2009

1. Summary of Significant Accounting Policies (continued)

(g) Tax Status

Because the District was incorporated as a political subdivision under the Tennessee Emergency Communications District Law, it is exempt from federal income taxes.

2. Cash

In September 1989, the members of the District's board of directors voted to have the McMinn County, Tennessee finance department handle the accounting functions of the District. Therefore, the McMinn County Trustee collects funds for the District and invests those funds to maximize interest earnings, less the appropriate Trustee commission for collection of the funds. The McMinn County office of the Director of Finance is responsible for the accounting function of the District's activities.

Custodial credit risk for the District's deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2009, the Trustee maintains the \$795,981 balance in commingled accounts with other McMinn County funds. As required by state statutes, the Trustee is following the District's policy requiring financial institutions holding its deposits to be members of the Tennessee Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. At June 30, 2009 none of the District's funds held by the Trustee was exposed to credit risk.

3. Revenue

The District's primary sources of revenues are from surcharges imposed on McMinn County telephone services (net of administrative fees paid to the telephone companies) and from surcharges imposed on cell phone services, which are collected and disbursed by the Tennessee Emergency Communications Board.

4. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to minimize its costs, the District insures itself against potential losses associated with these risks through the purchase of commercial insurance. There were no significant reductions in limits of liability or coverage of insurance policies in effect during 2009 from those in effect in 2008 and 2007. In addition, there have been no losses in excess of insurance coverage during the past three fiscal years.

McMINN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2009

5. Employee Retirement Plan

Plan Description

Certain employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The participation in this Plan is through the District's limited association with McMinn County government.

TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as McMinn County 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 the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy, Annual Pension Cost, Trend Information and Funding Status and Funding Progress

Information for these areas is not specifically available for the District but is included within the aggregated information for McMinn County Government as a whole. Please find this information for McMinn County within its comprehensive annual financial report for the year ended June 30, 2009.

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2009

6. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

<u>Cost</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance June 30, 2009</u>
Land	\$ 99,557	-	-	99,557
Buildings and improvements	785,551	-	-	785,551
Equipment and furnishings	700,612	324,152	-	1,024,764
Vehicles	42,070	23,744	-	65,814
	<u>\$ 1,627,790</u>	<u>347,896</u>	<u>-</u>	<u>1,975,686</u>
<u>Accumulated Depreciation</u>				
Buildings and improvements	\$ 124,284	24,302	-	148,586
Equipment and furnishings	478,246	102,420	-	580,666
Vehicles	42,070	791	-	42,861
	<u>\$ 644,600</u>	<u>127,513</u>	<u>-</u>	<u>772,113</u>

7. Capital Lease Obligations

The District acquired a 2009 Ford Explorer under a 6.6% long-term lease obligation. For financial reporting purposes, the present value of the minimum lease payments has been capitalized. The agreement is due in 3 annual installments of \$8,426 through April 2011 and the vehicle has a capitalized cost of \$23,744 and with a net book value of \$22,953 at June 30, 2009. The future minimum lease payments under this capital lease at June 30, 2009 is as follows:

<u>Years ended June 30</u>	<u>Amount</u>
2010	\$ 8,426
2011	<u>8,426</u>
	16,852
Less amount representing interest	<u>1,534</u>
	<u>\$15,318</u>

Supplementary Data

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget
For the Year Ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Emergency telephone surcharges	\$ 192,000	231,011	39,011
State Emergency Communications Board - shared wireless charge	238,000	257,607	19,607
	<u>430,000</u>	<u>488,618</u>	<u>58,618</u>
Operating expenses:			
Salaries and wages:			
Director	59,133	53,618	5,515
Administrative personnel	50,668	33,058	17,610
Dispatchers	289,754	268,961	20,793
Overtime pay	20,000	18,896	1,104
Part-time personnel	16,000	15,132	868
Vacation and holiday pay	21,000	26,269	(5,269)
	<u>456,555</u>	<u>415,934</u>	<u>40,621</u>
Employee benefits:			
Social security and medicare	33,000	29,271	3,729
Life insurance	1,500	994	506
Medical insurance	75,900	64,244	11,656
Unemployment compensation	1,800	1,086	714
Retirement contributions	27,000	24,652	2,348
	<u>139,200</u>	<u>120,247</u>	<u>18,953</u>
Contracted services:			
Addressing/mapping	4,250	1,617	2,633
Advertising	2,500	2,460	40
Audit services	4,500	4,500	-
Fees paid to service providers	46,000	43,962	2,038
Janitorial services	6,000	5,280	720
Legal services	1,500	1,100	400
Maintenance agreements	21,400	18,648	2,752
NCIC/TBI/TIES	8,500	6,948	1,552
Pest control	500	300	200
Lease/rental:			
Office equipment	1,800	752	1,048
Maintenance and repairs:			
Communications equipment	3,000	2,583	417
Facilities	10,000	6,936	3,064
Office equipment	1,000	-	1,000
Vehicles	1,750	1,444	306
Fuel	2,500	1,921	579
	<u>115,200</u>	<u>98,451</u>	<u>16,749</u>

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget (continued)
For the Year Ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Supplies and materials:			
Office	\$ 4,000	3,405	595
Custodial	1,500	1,440	60
Data processing	500	408	92
Postage	500	221	279
Small equipment purchases	15,000	11,945	3,055
Uniforms	3,000	1,859	1,141
Utilities:			
Electric	17,000	15,091	1,909
Gas	2,300	1,537	763
Water	750	545	205
General telephone	6,000	4,582	1,418
Cellular phone	1,900	1,692	208
	<u>52,450</u>	<u>42,725</u>	<u>9,725</u>
Other charges:			
Bank charges	10,000	8,885	1,115
Board meetings	2,000	1,650	350
Dues and memberships	1,000	629	371
Employee testing	500	40	460
Insurance:			
Workers' compensation	1,500	950	550
Liability	10,200	10,173	27
Legal notices	250	-	250
Training	5,000	1,699	3,301
Travel	4,000	380	3,620
Other	347,003	327,127	19,876
	<u>381,453</u>	<u>351,533</u>	<u>29,920</u>
Total operating expenses	<u>1,144,858</u>	<u>1,028,890</u>	<u>115,968</u>
Excess of operating expenses over operating revenues	<u>(714,858)</u>	<u>(540,272)</u>	<u>174,586</u>

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget (continued)
For the Year Ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Nonoperating revenues:			
Rent - office space	\$ 18,600	18,600	-
Interest	-	16,558	16,558
Contributions from primary government	337,653	347,783	10,130
Contributions from other governments and agencies	20,130	15,628	(4,502)
State Emergency Communications Board grants	107,203	107,203	-
Total nonoperating revenues	483,586	505,772	22,186
Excess of revenues over (under) expenditures	\$ (231,272)	(34,500)	196,772
Adjustments to agree with financial statement - "Statement of Revenue, Expenses and Changes in Net Assets":			
Expenses unbudgeted:			
Depreciation		(127,513)	
Capitalized lease and equipment payments		332,577	
Change in net assets		\$ 170,564	

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Insurance in Force

June 30, 2009

<u>Description</u>	<u>Coverage</u>
Property:	
Risks of Direct Physical Loss Subject to Normal Conditions and Exclusions:	
Business personal property - \$250 property deductible; \$1,000 earthquake and flood deductible:	
Real property - Athens, TN	\$ 592,832 limit
Real property - Etowah, TN (Guaranteed replacement cost)	277,952 limit
Personal property - Athens, TN	500,000 limit
Personal property - Etowah, TN (Replacement cost)	300,000 limit
Software	250,000 limit
Money and securities	10,000 limit
Extra expense	12 months actual loss sustained
Loss of income	12 months actual loss sustained
Automobile Liability:	
Liability - any auto	1,000,000
Uninsured motorists	300,000
Medical payments	5,000
General Liability:	
General Aggregate Limit	2,000,000
Products/Completed Operations Aggregate Limit	2,000,000
Personal and Advertising Injury Each Occurrence Limit	1,000,000
Each Occurrence or Medical Incident Limit	1,000,000
Medical Expense Limit (Any One Person)	5,000
Management Liability:	
Each Claim Limit (injunctive relief)	25,000
(each wrongful act)	1,000,000
Annual Aggregate Limit	2,000,000

McMinn County Emergency Communications District

Schedule of Information Required by the
Tennessee Emergency Communications Board
June 30, 2009

1. Number of public safety answering points (PSAP): One (1)
2. Address of each PSAP: McMinn County Emergency Communications District
1107 S. Congress Parkway
Athens, Tennessee 37303-2403
3. Type of system /equipment and database used: Zetron/AT&T database
4. Name, address, telephone number, and fax number of Executive Director:
Marvin Kelley
McMinn County Emergency Communications District
1107 S. Congress Parkway
Athens, Tennessee 37303-2403
(423) 745-7698 (423) 744-1607 (fax)
5. Name, address, telephone number, and fax number of the Chairman of the Board:
Mike Jones
McMinn County Emergency Communications District
1107 S. Congress Parkway
Athens, Tennessee 37303-2403
(423) 745-7698 (423) 744-1607 (fax)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Expenditures of State Awards
For the Year Ended June 30, 2009

<u>Grantor Agency</u>	<u>Program Name</u>	<u>CFDA #</u>	<u>Receivable June 30, 2008</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Receivable June 30, 2009</u>
<u>State Assistance Programs</u>						
Tennessee Emergency Communications District	GIS Maintenance Grant (Z-08-211962-00)	N/A	\$ <u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>



**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**

The Board of Directors
McMinn County Emergency Communications District
Athens, Tennessee

We have audited the financial statements of the McMinn County Emergency Communications District (the "District"), a component unit of McMinn County, Tennessee, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 20, 2009. 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 opinion 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 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 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 presented 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 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 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and recommendations as 09-01 on page 24.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit that response and, accordingly, we do not express an opinion on it.

This report is intended for the information and use of the Board of Directors, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

HG & A Associates, P.C.

October 20, 2009

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Findings and Recommendations
Year Ended June 30, 2009

The following finding is from our audit of the McMinn County Emergency Communications District (the "District") and our recommendation to management. Immediately following the recommendation is management's response to the finding and recommendation.

(09-01) Finding: Budget vs Actual Expenses

The District had an operating expense line item where actual expenditures exceeded the approved budgeted amount by \$5,269. This excess expense was due to the accrual of vacation pay benefits.

Recommendation

The *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* Section II page 6 states that the budgets for Emergency Communications Districts are to be set at the line-item level. In order to comply with the manual we recommend the District Executive Director present the necessary budget amendments to the District's Board of Directors for approval of increases in each line item as situations arise whereby required expenditures will exceed budgeted amounts.

Management's Response

This is the first year we had an amount in vacation benefits payable that was significant in amount to record within our financial statements. We have already taken into account this expense for the fiscal year 2010 budget.