

UNICOI COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009

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INTRODUCTORY SECTION

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT

PRINCIPAL OFFICIALS

AS OF JUNE 30, 2009

BOARD OF DIRECTORS

W. A. Wilson, Jr.	Chairman
Ed Herndon	Co-Chairman
Kent Harris	Member
Greg Lynch	Member
Brushy Lewis	Member
Jim Pate	Member
Johnny Lynch	Member
Jimmy Erwin	Member
Robert Adams	Member

MANAGEMENT

Patsy Ledford	Director
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MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009 AND 2008

As financial management of the Unicoi County Emergency Communications District (the "District"), a component unit of Unicoi County, Tennessee, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

Operating loss for the Emergency Communications District was \$27,657 for fiscal year 2009, compared to \$30,751 for fiscal year 2008. Net loss produced a decrease in net assets of \$27,657 in 2009, and \$30,751 in 2008. The term "net assets" refers to the difference between assets and liabilities. At the close of the fiscal year 2009, the District had net assets of \$447,437, a decrease of 6% over the prior year, and at the close of the fiscal year 2008, the District had net assets of \$475,094, a decrease of 6% over the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. Since the District is comprised of a single enterprise fund, no fund level financial statements are shown. In addition, the District has no infrastructure assets and is therefore exempt from required infrastructure disclosures. This report also contains other supplementary information concerning the District's budget to actual comparisons and certain non-financial information required by the Tennessee Emergency Communications Board.

Basic financial statements: The basic 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 all of 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. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net assets which indicates an improved financial position.

The statement of revenues, expenses, and changes in net assets presents information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related 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.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budget to actual comparison and certain non-financial information required by the Tennessee Emergency Communications Board.

Financial Analysis

Net assets may serve, over time, as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by \$447,437 at the close of June 30, 2009. This represents a decrease of \$27,657 (6%) over the previous year. The unrestricted net assets were \$163,700. At the close of June 30, 2008, assets exceeded liabilities by \$475,094 and represented a decrease of \$30,751 (6%) over the previous year. The unrestricted net assets were \$178,871.

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Emergency Communications District's Net Assets are as follows for the fiscal years ended June 30, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Current Assets	\$ 168,619	\$ 180,745
Capital Assets	<u>343,738</u>	<u>416,223</u>
Total Assets	512,357	596,968
Current Liabilities	64,920	61,874
Long-Term Liabilities	<u>0</u>	<u>60,000</u>
Total liabilities	<u>64,920</u>	<u>121,874</u>
Net Assets:		
Invested in Capital Assets	283,737	296,223
Unrestricted	<u>163,700</u>	<u>178,871</u>
Total Net Assets	\$ <u>447,437</u>	\$ <u>475,094</u>

Emergency Communications District's Changes in Net Assets are as follows for the fiscal years ended June 30, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Operating Revenues	\$ 307,797	\$ 298,092
Operating Expenses	<u>360,535</u>	<u>376,961</u>
Income from Operations	(52,738)	(78,869)
Non-Operating Revenues (Expenses):		
State Grants and Reimbursements	25,677	45,960
Interest Income	1,972	5,972
Interest Expense	<u>(2,568)</u>	<u>(3,814)</u>
Net Non-Operating Revenue (Expenses)	<u>25,081</u>	<u>48,118</u>
Change in Net Assets	(27,657)	(30,751)
Net Assets, Beginning of Year	<u>475,094</u>	<u>505,845</u>
Net Assets, End of Year	\$ <u>447,437</u>	\$ <u>475,094</u>

Significant Events

In October 2004, the District signed a capital outlay note to purchase communications equipment. The original amount of the loan was \$300,000 with principal payments of \$60,000 due annually. The loan was paid in full as of October 2009.

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Cash Flows

Net cash used by operating activities during the years ended June 30, 2009 and 2008 was \$118 and \$2,701 respectively. Operating expenses exceed Operating Revenues during the years ended June 30, 2009 and 2008 due to more expenses being incurred than anticipated. It is expected that Operating Revenues will exceed Operating Expenses in future periods.

Budgeting Highlights

The original budgets were approved in June 2008 for the fiscal year ended June 30, 2009; and in June 2007 for the fiscal year ended June 30, 2008, and were amended as needed throughout each year. The original and final budgets are presented as separate columns in the required supplementary information.

Capital Asset and Debt Administration

Capital Assets: The District's investment in capital assets amounts to \$343,738, net of accumulated depreciation as of June 30, 2009, a decrease of \$72,485. Capital assets primarily include building, communications equipment, and computer hardware and software used in 911 communications.

Long-Term Debt: The District had no long-term debt as of June 30, 2009; and long-term debt as of June 30, 2008 of \$60,000.

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 its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Unicoi County Emergency Communications District, 102 North Main Street, Erwin, Tennessee 37650.

FINANCIAL SECTION

Lewis
& Associates, P.C.
— Certified Public Accountants —

Kenneth L. Lewis, C.P.A.,
President

INDEPENDENT AUDITORS' REPORT

John F. Hunter, CPA
T. Craig Ratliff, CPA
Wayne Turbyfield, CPA
Jeff Jennings, CPA
Mary L. Shelton, CPA
Jennifer C. Penix, CPA

To The Board of Directors
Unicoi County Emergency
Communications District
Unicoi, Tennessee

We have audited the accompanying basic financial statements of the Unicoi County Emergency Communications District, a component unit of Unicoi County, Tennessee, as of and for the year ended June 30, 2009. These financial statements are the responsibility of the 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 the Unicoi County Emergency Communications District, as of June 30, 2009, 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 March 15, 2010 on our consideration of the Unicoi 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 audits.

The Management's Discussion and Analysis and the other required supplementary information on pages 2 through 4, are not a required part of the basic financial statements but are 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 supplementary information. However, we did not audit the information and express no opinion on it.



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Virginia Society of Certified Public Accountants

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

Lewis & Associates, P.C.
Lewis & Associates, P.C.

Johnson City, Tennessee
March 15, 2010

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS	<u>2009</u>
Current Assets	
Cash - Checking	\$ 36,000
Cash - Certificates of Deposit	77,433
Accounts Receivable	20,516
Due From TN Emergency Communications Board	<u>34,670</u>
Total Current Assets	168,619
Capital Assets	
Building	188,857
Office Equipment	41,384
Communications Equipment	<u>525,252</u>
	755,493
Less: Accumulated Depreciation	<u>(411,755)</u>
Net Capital Assets	<u>343,738</u>
Total Assets	512,357
LIABILITIES	
Current Liabilities	
Accounts Payable	4,403
Accrued Interest Payable	517
Notes Payable – Current	<u>60,000</u>
Total Current Liabilities	<u>64,920</u>
Total Liabilities	<u>64,920</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	283,737
Unrestricted Net Assets	<u>163,700</u>
Total Net Assets	\$ <u>447,437</u>

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

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	2009
Operating Revenue	
Emergency Telephone Service Charge	\$ 171,168
Tennessee Emergency Communications Board	
-Shared Wireless Charge	38,460
Tennessee Emergency Communications Board	
-Operating Fund	86,169
Other Income	<u>12,000</u>
Total Operating Revenue	307,797
Operating Expenses	
Audit Services	2,000
Accounting Services	6,500
Director	34,145
Dispatchers	151,355
Bonuses	13,550
Data Processing	8,726
Facility Relocation Expenses	976
Lease Office Equipment	2,696
Maintenance & Repairs - Communication Equipment	6,347
Maintenance & Repairs – Vehicles	143
Maintenance Agreements	985
Office Supplies	5,985
Postage	360
Custodial Supplies	1,061
Dues and Memberships	540
Small Equipment Purchases	1,500
Surety Bonds	100
TBI Access Missing Children	1,260
Travel Expenses	6,007
Training Expenses	3,444
Uniforms	157
Utilities – Cell Phones and Pagers	503
Utilities – General Telephone	39,710
Depreciation	<u>72,485</u>
Total Operating Expenses	<u>360,535</u>
Net Operating Income (Loss)	(52,738)
Non-Operating Revenues (Expenses)	
Tennessee Emergency Communications Board	
Grants and Reimbursements	25,677
Interest Income	1,972
Interest Expense	<u>(2,568)</u>
Net Non-Operating Revenues (Expenses)	<u>25,081</u>
Total Net Income (Loss)	(27,657)
Net Assets - Beginning	<u>475,094</u>
Net Assets - Ending	\$ <u>447,437</u>

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

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	2009
Cash Flows from Operating Activities:	
Receipts from Emergency Telephone Service Charges	\$ 170,241
Receipts from TN ECB Shared Wireless Charges	36,265
Receipts from TN ECB Operating Fund	71,807
Other Receipts	6,000
Payments to Service Providers	(40,140)
Payments to Suppliers for Goods and Services	<u>(244,291)</u>
Net Cash Used by Operating Activities	<u>(118)</u>
Cash Flows from Capital and Related Financing Activities:	
Repayments of Principal	(60,000)
Interest Expense	(3,140)
State Grants and Reimbursements	<u>4,673</u>
Net Cash Used by Capital and Related Financing Activities	<u>(58,467)</u>
Cash Flows from Noncapital and Related Financing Activities	
State Grants and Reimbursements	<u>10,000</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>10,000</u>
Cash Flows from Investing Activities:	
Redemption of Certificates of Deposit	51,912
Interest Income	<u>747</u>
Net Cash Provided by Investing Activities	<u>52,659</u>
Net Cash Increase	4,074
Cash - Beginning of Year	<u>31,926</u>
Cash - End of Year	\$ <u>36,000</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Loss	\$ (52,738)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	72,485
(Increase) Decrease in Accounts Receivable	(2,927)
(Increase) Decrease in Due from TN ECB	(16,557)
Increase (Decrease) in Accounts Payable	<u>(381)</u>
Net Cash Used by Operating Activities	\$ <u>(118)</u>

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

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The purpose of the Unicoi County Emergency Communications District is to oversee the operations of the 911 emergency telephone services. Their Board consists of nine members and is comprised of the Unicoi County Mayor, Town of Erwin Mayor, Town of Unicoi Mayor, Sheriff of Unicoi County, Director of Emergency Preparedness for Unicoi County, Administrator of Unicoi County Memorial Hospital, Member appointed by Unicoi County Commission, Member of Firefighters Association, and a Member at Large who is appointed by the County Mayor and confirmed by the County Commission.

The criteria set forth in Governmental Accounting Standards Board Statement 14 *The Financial Reporting Entity* was used to determine that the Emergency Communications District is a component unit of Unicoi County, Tennessee. The basic - but not the only - criterion for including a potential component unit within the primary government's reporting entity is the primary government's financial accountability for the potential component unit. Unicoi County is the primary government and exercises influence. Several positions of the board of the Emergency Communications District are appointed by the primary government and the remaining positions are based on elected officials of the County and seats maintained by various occupants in the County. The County controls the borrowing power of the Emergency Communications District and sets the rate for the E-911 surcharge income.

Basis of Accounting

The financial statements of the Emergency Communications District have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred. As required by Governmental Accounting Standards Board Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting", the Emergency Communications District follows all GASB pronouncements and FASB Statements issued on or before November 30, 1989 except those that conflict with a GASB pronouncement. The District follows only GASB guidance issued after November 30, 1989 and does not follow any FASB guidance issued after that date.

Income Taxes

The Emergency Communications District is an agency organized and existing pursuant to the provisions of Tennessee Code Ann. 7-86-101 which is exempt from federal income taxes pursuant to 26 USC 115 relating to income of states, municipalities, etc.

Revenues and Expenses

The Emergency Communications District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations. The principal operating revenues of the Emergency Communications District are 911 surcharges paid by Unicoi County customers and state shared revenues. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenues are recognized as earned on a monthly basis. When an expense is incurred for the purposes for which both restricted and unrestricted net assets are available, restricted net assets are applied first.

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

For purposes of the Statement of Cash Flows, the Emergency Communications District considers all bank and certificate of deposits and any highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the deposits, less amounts insured by federal deposit insurance. The collateral must be held by the Emergency Communications District, its agent, or by the Federal Reserve, in the Emergency Communications District's name..

Depreciation

Depreciation of capital assets is charged as an expense against operations and accumulated depreciation is reported on the balance sheet. Depreciation is computed using straight-line method over the estimated useful lives, ranging from 5-40 years.

Concentrations of Credit Risk

Financial instruments that potentially subject the Emergency Communications District to concentrations of credit risk are primarily cash, and accounts receivable. The Emergency Communications District's cash is insured by the FDIC or collateralized by securities pledged by the Bank for amounts in excess of FDIC limits. Although the District could be affected by changes in general economic conditions of the area, management does not believe that significant credit risk exists at June 30, 2009.

NOTE 2—CASH AND INVESTMENTS

At June 30, 2009, total demand deposits and certificates of deposit for the Emergency Communication District were insured and/or collateralized in one of the following ways. Deposits were insured by the FDIC up to \$250,000. Deposits in excess of FDIC limits were collateralized by securities pledged by the Bank.

At June 30, 2009, the District's carrying amount of deposits was \$113,433 and the bank balance was \$116,148. Of the bank balance, all of the \$116,148 was covered by federal depository insurance

NOTE 3—PROPERTY, PLANT, AND DEPRECIATION

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

	June 30, <u>2008</u>	<u>Additions</u>	<u>Deletions</u>	June 30, <u>2009</u>
Building and Improvements	\$ 188,857	\$ 0	\$ 0	\$ 188,857
Communications Equipment	525,252	0	0	525,252
Office Equipment	<u>41,384</u>	<u>0</u>	<u>0</u>	<u>41,384</u>
Total	<u>755,493</u>	<u>0</u>	<u>0</u>	<u>755,493</u>
Less Accumulated Depreciation:				
Building and Improvements	(22,625)	(11,435)	0	(34,060)
Communications Equipment	(280,756)	(59,005)	0	(339,761)
Office Equipment	<u>(35,889)</u>	<u>(2,045)</u>	<u>0</u>	<u>(37,934)</u>
Total Accumulated Depreciation	<u>(339,270)</u>	<u>(72,485)</u>	<u>0</u>	<u>(411,755)</u>
Capital Assets, Net	\$ <u>416,223</u>	\$ <u>(72,485)</u>	\$ <u>0</u>	\$ <u>343,738</u>

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2009

NOTE 4—LONG-TERM DEBT

On October 4, 2004, the Emergency Communications District signed a capital outlay note in the amount of \$300,000 to purchase communications equipment at a rate of 3.45% and a maturity date of October 4, 2009. Long-term debt activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Notes Payable	\$ <u>120,000</u>	\$ <u>0</u>	\$ <u>(60,000)</u>	\$ <u>60,000</u>	\$ <u>60,000</u>
Total Notes Payable	\$ <u>120,000</u>	\$ <u>0</u>	\$ <u>(60,000)</u>	\$ <u>60,000</u>	\$ <u>60,000</u>

Future maturities of long-term debt are as follows:

<u>Year Ending June 30 2010</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$ 60,000	\$ 937	\$ 60,937

NOTE 5—RELATED PARTY TRANSACTIONS

The Emergency Communications District contracts monthly bookkeeping services. As of June 30, 2009, the contracted bookkeeper is the wife of the Chairman of the Board of Directors. The contracted bookkeeper provides monthly accounting services for the District which includes the maintaining of accounting records, payment of various bills, and reconciliation of bank accounts. During 2009, the contracted bookkeeper received payments totaling \$7,100 for bookkeeping services.

NOTE 6—RISK MANAGEMENT

The Emergency Communications District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Emergency Communications District's risk of loss on the building is covered by its commercial package insurance policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. The loss to other assets is not covered. The Emergency Communications District feels that as the prices for equipment dropped, it would cost less to replace damaged items than the cost of insurance.

SUPPLEMENTAL INFORMATION SECTION

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating Revenue:				
Emergency Telephone Service				
Charges	\$ 180,578	\$ 180,578	\$ 171,168	\$ (9,410)
TN ECB Shared Wireless Charges	154,600	154,600	38,460	(116,140)
TN ECB Operating Fund	0	0	86,169	86,169
Other Revenue	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>0</u>
Total Operating Revenue	347,178	347,178	307,797	(39,381)
Operating Expenses:				
Auditing Services	6,000	6,000	2,000	4,000
Accounting Services	6,000	6,000	6,500	(500)
Contracts with Govt. Agency	64,000	64,200	0	64,200
Director	34,145	34,145	34,145	0
Dispatchers	151,355	151,355	151,355	0
Bonus	14,400	14,400	13,550	850
Data Processing	8,000	9,000	8,726	274
Facility Relocation Expenses	1,000	900	976	(76)
Lease Office Equipment	2,500	2,600	2,696	(96)
Licenses & Fees	1,300	800	0	800
Maintenance & Repairs - Communication				
Equipment	6,300	6,350	6,347	3
Maintenance & Repairs - Vehicles	300	300	143	157
Maintenance Agreements	0	0	985	(985)
Office Supplies	6,000	5,750	5,985	(235)
Postage	300	300	360	(60)
Custodial Supplies	1,000	1,000	1,061	(61)
Dues and Memberships	1,500	500	540	(40)
Small Equipment Purchases	1,000	1,000	1,500	(500)
Surety Bonds	1,200	1,200	100	1,100
TBI Access Missing Children	2,000	2,000	1,260	740
Test & Examinations	100	100	0	100
Travel Expenses	5,000	5,740	6,007	(267)
Training Expenses	2,000	3,500	3,444	56
Uniforms	500	260	157	103
Utilities – Cell Phones and Pagers	1,500	500	503	(3)
Utilities – General Telephone	38,000	38,000	39,710	(1,710)
Depreciation	<u>0</u>	<u>0</u>	<u>72,485</u>	<u>(72,485)</u>
Total Expenses	355,400	355,900	360,535	(4,635)
Net Operating Income (Loss)	(8,222)	(8,722)	(52,738)	(44,016)
Non-Operating Revenues (Expenses)				
TN ECB Grants and Reimbursements	10,000	10,000	25,677	15,677
Interest Income	2,200	2,200	1,972	(228)
Interest Expense	<u>0</u>	<u>0</u>	<u>2,568</u>	<u>(2,568)</u>
Net Non-Operating Revenues (Expenses)	<u>12,200</u>	<u>12,200</u>	<u>25,081</u>	<u>12,881</u>
Net Income (Loss)	\$ <u>3,978</u>	\$ <u>3,478</u>	\$ <u>(27,657)</u>	\$ <u>(31,135)</u>

See Independent Auditors' Report

UNICOI COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF INFORMATION REQUIRED BY
THE TENNESSEE EMERGENCY COMMUNICATIONS BOARD
FOR THE YEAR ENDED JUNE 30, 2009

The following information is required by the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts Effective July 1, 2004*, published by State of Tennessee Comptroller of the Treasury, Division of County Audit.

1. The number of public safety answering points (PSAP)? **Three**
2. The address of each PSAP? **102 North Main Street, Erwin, Tennessee 37650**
3. The type of system/equipment and database used by each PSAP? **Phone System – Genisis CAD, A Compaq computer stores the phone numbers that come into the system.**
4. The name, address, telephone number and fax number of the Director of the Emergency Communications District?

**Mrs. Patsy Ledford, Director
Unicoi County Sheriff's Department
P.O. Box 529
Erwin, TN 37650
(423) 743-1850**

5. The name, address, telephone number, and fax number of the Chairman of the Emergency Communications District?

**W.A. Wilson
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INTERNAL CONTROL AND COMPLIANCE SECTION

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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
Unicoi County Emergency Communications District
Unicoi, Tennessee

In planning and performing the audit of the financial statements of the Unicoi County Emergency Communications District as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Unicoi County Emergency Communications 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 Unicoi County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Unicoi County Emergency Communications District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in the Unicoi County Communication District's internal control to be a material weakness:



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Virginia Society of Certified Public Accountants

Financial Statement Preparation

As required by SAS 115, *Communicating Internal Control Related Matters Identified in an Audit*, those responsible for the accounting and reporting function must have the skills and knowledge to apply generally accepted accounting principles in the preparation of the Organization's financial statements. The Unicoi County Communication District does not have personnel with the qualifications and training to fulfill these responsibilities. The Unicoi County Communication District did not prepare the Unicoi County Communication District's financial statements and therefore, we, as the auditor, drafted the financial statements in accordance with generally accepted accounting principles.

Recommendation:

We recommend that for future years, Unicoi County Communications District obtain the training required to prepare the financial statements in accordance with generally accepted accounting principles or contract that function with someone outside the entity that is capable of preparing the financial statements and is not employed by the audit firm.

Management Response:

This recommendation will be discussed by the Board of Directors to determine if the cost verses the benefit of obtaining the knowledge to prepare the financial statements or of hiring an outside firm to prepare the financial statements.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Unicoi County Emergency Communications District's internal control to be significant deficiencies:

Segregation of Duties

Due to the small size of the bookkeeping staff, the segregation of duties is determined to be inadequate. No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. The bookkeeper handles all incoming checks, posts receipts to revenue accounts, takes the deposit to the bank, and receives and reconciles the monthly bank statement.

Recommendation:

We recommend that employees other than the bookkeeper open the mail, prepare a list of cash received, and prepare the deposit slip. The bank statement and canceled checks should be reviewed by management before turning them over to the bookkeeper to prepare the bank reconciliations.

Management Response:

Management acknowledges that segregation of duties is less than ideal but believes that the benefits of adding staff to provide greater segregation would not justify the added costs.

Bank Reconciliations

In the preparation of the bank statement, the ending balance on the reconciliation is not compared to the accounting records.

Recommendation:

We recommend that the bank reconciliation be compared to the general ledger and any differences be investigated and corrected.

Management's Response:

Management concurs with this finding and will take steps to ensure that the bank reconciliation is compared to the general ledger checking account balances and any differences corrected in the future.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unicoi County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 audits, 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* and is as follows:

Exceeding of Budget

Tennessee Code Annotated Section 7-86-120 states that no emergency communications district may spend money except in accordance with an adopted budget. The Schedule of Revenues and Expenses - Budget and Actual beginning on page 13 of the District's financial statements for the year ended June 30, 2009, showed several expense line items that exceeded the adopted budget.

Recommendation:

The Board should be more diligent in amending the budget to comply with *Tennessee Code Annotated* Section 7-86-120.

Management Response:

The District recognizes the problem. We will be more diligent to amend the budget in order to comply with *Tennessee Code Annotated* Section 7-86-120.

We noted certain matters that we reported to management of Unicoi County Emergency Communications District in a separate letter dated March 15, 2010.

The Unicoi County Emergency Communications District's response to the findings identified in our audit is described above. We did not audit the Unicoi County Emergency Communications District's response and, accordingly, we express no opinion on it.

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

Lewis & Associates, P.C.
Lewis & Associates, P.C.
Johnson City, Tennessee

March 15, 2010