

Financial Statements

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

Year Ended June 30, 2009

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Emergency Communications District of
Campbell County, Tennessee
LaFollette, Tennessee

We have audited the accompanying statement of net assets of Emergency Communications District of Campbell County, Tennessee, a component unit of Campbell County, Tennessee, as of June 30, 2009, and the related statement of revenue, expenses and change in net assets and statement of 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 of America. 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 in the first paragraph present fairly, in all material respects, the financial position of Emergency Communications District of Campbell County, Tennessee as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and the required supplementary information on page 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Emergency Communications District of Campbell County, Tennessee's basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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. The accompanying financial information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2010 on our consideration of Emergency Communications District of Campbell County, Tennessee'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.

Mitchell Emert & Hill

February 3, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Emergency Communications District of Campbell County, Tennessee, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2009. Please read it in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditors' report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities. The Statement of Net Assets includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligations to the District's creditors (liabilities).

All of the current year's revenue and expenses are accounted for in the Statement of Revenue, Expenses, and Change in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenue, Expenses and Change in Net Assets report information about the District's activities in a way that will help answer this question. The two statements report the net assets of the District and the changes in them. One can think of the District's net assets—the difference between assets and liabilities as one way to measure 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. A summary of the District's net assets and change in them is presented below:

SUMMARIZED FINANCIAL INFORMATION

	<u>2009</u>	<u>2008</u>
NET ASSETS		
Current assets	\$ 471,445	\$ 337,416
Capital assets	<u>332,997</u>	<u>328,985</u>
Total assets	<u>\$ 804,015</u>	<u>\$ 666,401</u>
Liabilities	\$ 64,280	\$ 33,091
Net assets:		
Invested in capital assets	332,997	328,985
Unrestricted	<u>406,739</u>	<u>304,325</u>
	<u>739,735</u>	<u>633,310</u>
Total liabilities and net assets	<u>\$ 804,015</u>	<u>\$ 666,401</u>
CHANGE IN NET ASSETS		
Operating revenue	\$ 459,615	\$ 463,355
Operating expenses	<u>595,537</u>	<u>570,331</u>
Operating (loss)	(135,922)	(106,977)
Non-operating revenue	<u>242,347</u>	<u>208,400</u>
Change in net assets	106,425	101,423
Beginning net assets	<u>633,310</u>	<u>531,887</u>
Ending net assets	<u>\$ 739,735</u>	<u>\$ 633,310</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As shown by the summarized financial information, the District's net assets have increased by \$106,425 during the year ended June 30, 2009 (\$101,423 during the year ended June 30, 2008). Operating revenue decreased at a rate of 1% in 2009 (increased at a rate of 2% in 2008) while expenses increased at a rate of 4% in 2009 (8% in 2008).

THE DISTRICT'S NET ASSETS

The District completed the year with net assets of \$739,735 in 2009 (\$633,310 in 2008) which is \$106,425 more than the prior year's ending net assets (\$101,423 more for 2008).

BUDGETARY HIGHLIGHTS

The District adopts an annual opening budget, which includes proposed expenses and the means for paying these expenses. As conditions change during the year, the budget may be amended to prevent budget overruns.

The operations of Emergency Communications District of Campbell County, Tennessee are primarily funded as follows:

- Telephone and Wireless companies "911" fees
- Operational fund program from State of Tennessee Emergency Communications Board (TECB)
- Interest income

Income from residential phone lines decreased from revenue for the prior year and was \$397 less than budgeted income for 2009 (\$4,187 more than budgeted income for 2008). State shared wireless income and income from private carriers due to cell phone use increased from revenue for the prior year and was more than budgeted income by \$23,296 in 2009 (equal to budgeted income in 2008). Shared wireless charges are relatively new fees which are difficult to estimate.

Total expenditures in most budget categories remained in line with a few exceptions.

CAPITAL ASSETS

The District's investment in capital assets amounts to \$716,653 with accumulated depreciation of \$383,656. Capital assets include land, leasehold improvements, communications equipment, vehicles, office furniture and office equipment.

ECONOMIC FACTORS AND FUTURE NEEDS

The Emergency Communications District of Campbell County, Tennessee is currently working with the local emergency service responders to provide a better communications system for the entire county. Campbell County has several mountain ridges cutting the center of the county making county-wide communications very difficult in certain locations. The District is working with the Tennessee Wildlife Resource Agency and private property owners to gain the property needed in the right locations for transmitter sites county-wide.

The Emergency Communications District of Campbell County, Tennessee hopes to soon be working with the Campbell County Assessor's office to start the geographic information system. This system will provide almost unlimited information for the emergency responder, such as providing fire hydrant information, gas and water line locations and power needs. The District also hopes to pursue grants needed to construct a new building to house the 911 and a new emergency operations center for Campbell County.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The 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 question or need additional information, contact Charles Hutson, Director at the address on the letterhead.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2009

ASSETS

CURRENT ASSETS

Cash	\$ 367,445
Accounts receivable	22,419
Due from TECB	75,790
Prepaid insurance	<u>5,364</u>

TOTAL CURRENT ASSETS 471,018

CAPITAL ASSETS

Land	\$ 188,500
Building	79,276
Communications equipment	404,893
Office equipment	21,541
Vehicles	<u>22,443</u>
	716,653
Accumulated depreciation	<u>(383,656)</u>
	<u>332,997</u>

TOTAL ASSETS \$ 804,015

See the accompanying notes to the financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable		\$ 30,998
Accrued salaries		<u>33,281</u>

TOTAL CURRENT LIABILITIES		64,280
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NET ASSETS

Invested in capital assets	\$ 332,997	
Unrestricted	<u>406,739</u>	<u>739,735</u>

TOTAL LIABILITIES AND NET ASSETS		<u>\$ 804,015</u>
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EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

Year Ended June 30, 2009

OPERATING REVENUE

Emergency telephone service charges		\$ 261,420
TECB-shared wireless charge		88,834
TECB-operational funding program		104,081
Other operating revenue		<u>5,280</u>

TOTAL OPERATING REVENUE 459,615

OPERATING EXPENSES

Salaries and wages:			
Administrative personnel	\$ 79,250		
Dispatchers	230,099		
Part-time personnel	<u>10,092</u>		319,442
Employee benefits:			
Payroll taxes	22,738		
Medical insurance	94,060		
Retirement	26,809		
Life insurance	<u>1,375</u>		144,982
Contracted services:			
Advertising	176		
Audit services	3,975		
Accounting services	3,300		
Legal services	1,500		
Lease/Rental-communications equipment	46,778		
Maintenance agreements	1,426		
Maintenance and repairs-buildings and facilities	4,338		
Maintenance and repairs-equipment	2,138		
Maintenance and repairs-vehicles	<u>205</u>		63,836
Supplies and materials:			
Office supplies	7,613		
Uniforms	2,750		
Utilities	10,052		
Utilities-general telephone	<u>4,607</u>		25,022

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

(continued)

Year Ended June 30, 2009

Other charges:		
Dues and subscriptions	271	
Insurance	1,771	
Training	480	
Travel	5,054	
Premiums on surety bonds	9,234	
Miscellaneous	<u>3,179</u>	19,990
Depreciation		<u>22,265</u>
TOTAL OPERATING EXPENSES		<u>595,537</u>
(LOSS) FROM OPERATIONS		(135,922)
NON-OPERATING REVENUE		
Contributions from primary government	188,456	
Contributions from other governments	10,500	
TECB-grants	36,274	
Interest income	<u>7,118</u>	<u>242,347</u>
CHANGE IN NET ASSETS		106,425
NET ASSETS AT THE BEGINNING OF THE YEAR		<u>633,310</u>
NET ASSETS AT THE END OF THE YEAR		<u>\$ 739,735</u>

See the accompanying notes to the financial statements.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

CASH PROVIDED(USED) BY OPERATING ACTIVITIES	
Cash received from telephone charges	\$ 398,353
Cash paid to suppliers	(222,641)
Cash paid to employees	<u>(319,442)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(143,730)
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(26,277)
CASH PROVIDED(USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Contributions from primary government	\$ 188,456
Contributions from other governments	10,500
TECB-grants	<u>36,274</u>
NET CASH PROVIDED BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	235,230
CASH PROVIDED(USED) BY INVESTING ACTIVITIES	
Interest received	<u>7,118</u>
NET INCREASE IN CASH	72,340
CASH AT THE BEGINNING OF THE YEAR	<u>295,105</u>
CASH AT THE END OF THE YEAR	<u><u>\$ 367,445</u></u>

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

STATEMENT OF CASH FLOWS

(continued)

Year Ended June 30, 2009

**RECONCILIATION OF (LOSS) FROM OPERATIONS TO
NET CASH (USED) BY OPERATING ACTIVITIES**

(Loss) from operations			\$ (135,922)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:			
Depreciation	\$	22,265	
(Increase)decrease in:			
Accounts receivable		1,079	
Due from TECB		(62,341)	
Increase in:			
Accounts payable		26,786	
Accrued salaries		4,403	
			<u>(7,808)</u>
NET CASH (USED) BY OPERATING ACTIVITIES			<u>\$ (143,730)</u>

See the accompanying notes to the financial statements.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE A - DESCRIPTION OF ORGANIZATION

Emergency Communications District of Campbell County, Tennessee (the District) was created by a county-wide referendum on January 1, 1991. The Campbell County Board of Commissioners appointed the District's Board of Directors pursuant to Tennessee Code Annotated Section 7-86-101. The District is responsible for the installation and maintenance of the emergency communications network of Campbell County, Tennessee (Enhanced 911 Service).

The District is considered a component unit of Campbell County, Tennessee because the Campbell County Board of Commissioners appoints a majority of the District's Board of Directors and must approve any debt issued by the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The District uses the accrual basis of accounting. Revenue is recognized when earned and measurable, and expenses are recognized when the liability is incurred. Operating revenue is revenue that is generated from the primary operations of the District. All other revenue is reported as non-operating revenue. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

The District follows all pronouncements of the Governmental Accounting Standards Board (GASB) and pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989. The District has not elected to follow FASB pronouncements issued after November 30, 1989.

GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset groups:

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

Invested in capital assets: This category includes capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2009 has been calculated as follows:

Capital assets	\$ 716,653
Accumulated depreciation	<u>(383,656)</u>
	<u>\$ 332,997</u>

Restricted: This category includes net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District had no restricted net assets as of June 30, 2009.

Unrestricted: This category includes net assets that are not subject to externally imposed stipulations and that do not meet the definition of “restricted” or “invested in capital assets”. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Accounts Receivable

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2009, no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets, which include property and equipment, are recorded at cost. Capital assets are defined by the District as assets with an initial, individual cost of \$500 or more. Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to twenty-five years.

Operating Budget

The District is required by state law to adopt an annual operating budget. The Board of Directors approves the original budget and any amendments, and maintains the legal level of control at the line item level. The budget is prepared on the accrual basis of accounting. All appropriations lapse at the end of the year.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

Compensated Absences

The District's full-time employees are granted vacation leave in varying amounts. In the event of termination, the employee is paid for any unused vacation leave. Unused vacation leave as of June 30, 2009 in the amount of \$32,281 is included in accrued salaries in the statement of net assets.

NOTE C - CASH

Cash is stated at cost, which approximates market value. The District considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

State of Tennessee law authorizes the District to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the state treasurer's local government investment pool. The pool contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool. Although the District may participate in the state investment pool, it elects not to.

District policy dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the state collateral pool or be deposited in an escrow account in another institution for the benefit of the District and must be a minimum of 105% of the value of the deposits placed in the institution less the amount protected by federal deposit insurance. The state collateral pool is administered by the State of Tennessee. Members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional agreement, public fund accounts covered by the pool are considered to be insured in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*.

All of the District's cash and cash equivalent balances at June 30, 2009 were either insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the District's agent in the District's name.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

NOTE D - CAPITAL ASSETS

	<u>Balance</u> <u>7/1/08</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/09</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 188,500	\$ 0	\$ 0	\$ 188,500
<u>Capital assets being depreciated</u>				
Buildings	79,276	0	0	79,276
Communications equipment	378,616	26,277	0	404,893
Office equipment	21,541	0	0	21,541
Vehicles	<u>35,643</u>	<u>0</u>	<u>(13,200)</u>	<u>22,443</u>
	515,076	26,277	(13,200)	528,153
<u>Accumulated depreciation</u>				
Buildings	(28,839)	(2,265)	0	(31,104)
Communications equipment	(291,257)	(18,847)	0	(310,105)
Office equipment	(18,852)	(1,152)	0	(20,005)
Vehicles	<u>(35,643)</u>	<u>0</u>	<u>13,200</u>	<u>(22,443)</u>
	<u>(374,591)</u>	<u>(22,265)</u>	<u>13,200</u>	<u>(383,656)</u>
	<u>\$ 328,985</u>	<u>\$ 4,012</u>	<u>\$ 0</u>	<u>\$ 332,997</u>

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

NOTE E – PENSION PLAN

Plan Description

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). 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 thirty 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 his duties.

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 the District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of the 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://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

The District requires employees to contribute 5.0% of earnable compensation.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2009 was 9.28% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

Annual Pension Cost

For the year ended June 30, 2009, the District's annual pension cost of \$27,769 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2007 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% a year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The 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, 2007 was 11 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/09	\$ 27,769	100.00%	\$ 0
6/30/08	26,771	100.00	0
6/30/07	22,801	100.00	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 76.85% funded. The actuarial accrued liability for benefits was \$0.32 million, and the actuarial value of assets was \$0.24 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.08 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0 million, and the ratio of the UAAL to the covered payroll was 36.59%.

The 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.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009

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.

Actuarial valuation date	7/1/07
Actuarial value of assets	\$ 249,000
Actuarial accrued liability (AAL)	324,000
Unfunded AAL (UAAL)	75,000
Funded ratio	76.85%
Covered payroll	205,000
UAAL as a percentage of covered payroll	36.59%

NOTE F - 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. The District carries commercial insurance for all risks of loss, including general liability and workers' compensation coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years

REQUIRED SUPPLEMENTARY INFORMATION

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

FUNDING PROGRESS – POLITICAL SUBDIVISION
PENSION PLAN SUPPLEMENTARY INFORMATION

June 30, 2009

Actuarial valuation date	7/1/07
Actuarial value of assets	\$ 249,000
Actuarial accrued liability (AAL)	324,000
Unfunded AAL (UAAL)	75,000
Funded ratio	76.85%
Covered payroll	205,000
UAAL as a percentage of covered payroll	36.59%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Funding Progress using the entry age actuarial method. The requirement to present the 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.

See the accompanying independent accountants' audit report.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

Year Ended June 30, 2009

	<u>Actual</u> <u>(Accrual Basis)</u>	<u>Budget</u> <u>(Accrual Basis)</u>	<u>Variance</u> <u>Over (Under)</u>
OPERATING REVENUE			
Emergency telephone service charges	\$ 261,420	\$ 261,798	\$ (379)
TECB-shared wireless charge	88,834	65,539	23,296
TECB-operational funding program	104,081	91,309	12,772
Other operating revenue	5,280	5,280	0
TOTAL OPERATING REVENUE	459,615	423,926	35,689
OPERATING EXPENSES			
Salaries and wages:			
Administrative personnel	79,250	79,250	0
Dispatchers	230,099	225,696	4,403
Part-time personnel	10,092	10,092	0
	319,442	315,040	4,403
Employee benefits:			
Payroll taxes	22,738	22,738	0
Medical insurance	94,060	94,060	0
Retirement	26,809	26,809	0
Life insurance	1,375	1,375	0
	144,982	144,982	0
Contracted services:			
Advertising	176	176	0
Audit services	3,975	3,975	0
Accounting services	3,300	3,300	0
Legal services	1,500	1,500	0
Lease/Rental-communications equipment	46,778	46,761	17
Maintenance agreements	1,426	1,426	0
Maintenance and repairs-			
buildings and facilities	4,338	4,338	0
Maintenance and repairs-equipment	2,138	2,138	0
Maintenance and repairs-vehicles	205	205	0
	63,836	63,819	17

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2009

	<u>Actual</u> <u>(Accrual Basis)</u>	<u>Budget</u> <u>(Accrual Basis)</u>	<u>Variance</u> <u>Over (Under)</u>
Supplies and materials:			
Office supplies	7,613	7,113	500
Uniforms	2,750	2,750	0
Utilities	10,052	10,057	(5)
Utilities-general telephone	4,607	4,607	0
	25,022	24,527	495
Other charges:			
Dues and subscriptions	271	271	0
Insurance	1,771	1,771	0
Training	480	480	0
Travel	5,054	5,054	0
Premiums on surety bonds	9,234	9,234	0
Miscellaneous	3,179	3,048	131
	19,990	19,858	131
Depreciation	22,265	25,000	(2,735)
TOTAL OPERATING EXPENSES	595,537	593,226	2,311
(LOSS) FROM OPERATIONS	(135,922)	(169,300)	(33,377)

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2009

	<u>Actual</u> <u>(Accrual Basis)</u>	<u>Budget</u> <u>(Accrual Basis)</u>	<u>Variance</u> <u>Over (Under)</u>
NON-OPERATING REVENUE			
Contributions from primary government	188,456	189,156	(700)
Contributions from other governments	10,500	10,500	0
TECB-grants	36,274	10,000	26,274
Interest income	7,118	7,118	0
	<u>242,347</u>	<u>216,774</u>	<u>25,574</u>
CHANGE IN NET ASSETS	106,425	47,474	58,951
NET ASSETS AT THE BEGINNING			
OF THE YEAR	<u>633,310</u>	<u>633,310</u>	<u>0</u>
NET ASSETS AT THE END			
OF THE YEAR	<u>\$ 739,735</u>	<u>\$ 680,783</u>	<u>\$ 58,951</u>

See the accompanying independent accountants' audit report.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY TENNESSEE

EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2009

<u>Grant Number</u>	<u>Grant Purpose</u>	<u>Federal Grantor/ Pass-Through Grantor</u>
N/A	GIS Mapping Upgrade	Tennessee Department of Commerce and Insurance
N/A	PSAP Equipment Purchase	Tennessee Department of Commerce and Insurance

See the accompanying independent accountants' audit report.

<u>Receivable July 1, 2008</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable June 30, 2009</u>
\$ 0	\$ 10,000	\$ 10,000	\$ 0
<u>0</u>	<u>0</u>	<u>26,274</u>	<u>26,274</u>
<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 36,274</u>	<u>\$ 26,274</u>

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

PUBLIC SAFETY ANSWERING POINTS

June 30, 2009

There is one public safety answering point (PSAP) utilized by the Emergency Communications District of Campbell County, Tennessee (the District).

The PSAP is located at the District's offices at 1111 Jacksboro Pike, LaFollette, TN 37766

The District uses the following system and/or equipment at its PSAP location:

Two Motorola Gold Series PSAP control consoles
Motorola remote command center
Two Position Inter-Act Computer Aid Dispatch System
Two Dell computers
N.C.I.C./T.C.I.C. computer
24-hour CD logger
Trimble Pro XT GPS Mapping unit

See the accompanying independent accountants' audit report.

EMERGENCY COMMUNICATIONS DISTRICT OF
CAMPBELL COUNTY, TENNESSEE

ROSTER OF OFFICIALS

June 30, 2009

Director

Charles Hutson
1111 Jacksboro Pike
P.O. Box 344
LaFollette, TN 37766
Telephone number: 423-562-8055
Telefax number: 423-562-8727

Chairman of the Board of Directors

Bill Widener
1111 Jacksboro Pike
P.O. Box 344
LaFollette, TN 37766
Telephone number: 423-562-8055
Telefax number: 423-562-8727

Members of the Board of Directors

James Hatmaker
Regina Blankenship
Sara Lloyd
Bobby Housley
Josh Parker
Gary Perkins
Marlena Broadway
Kevin Jeffers

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

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

Board of Directors
Emergency Communications District of
Campbell County, Tennessee
LaFollette, Tennessee

We have audited the financial statements of Emergency Communications District of Campbell County, Tennessee, a component unit of Campbell County, Tennessee, as of and for the year ended June 30, 2009, and have issued our report thereon dated February 3, 2010. 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Emergency Communications District of Campbell County, Tennessee'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 Emergency Communications District of Campbell County, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Emergency Communications District of Campbell County, Tennessee's internal control over financial reporting.

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 a 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Emergency Communications District of Campbell County, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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; 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*.

However, we noted certain matters that we have reported to the management of Emergency Communications District of Campbell County, Tennessee in a separate letter dated February 3, 2010.

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

Mitchell Emert & Hill

February 3, 2010