

Financial Statements

COCKE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Years Ended June 30, 2009 and 2008

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Cocke County Emergency Communications District
Newport, Tennessee

We have audited the accompanying statements of net assets of Cocke County Emergency Communications District, a component unit of Cocke County, Tennessee, as of June 30, 2009 and 2008, and the related statements of revenue, expenses and change in net assets and statements of cash flows for the years 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 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 of America. 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 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Cocke County Emergency Communications District as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years 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 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United State 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 thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cocke County Emergency Communications District'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 5, 2010 on our consideration of Cocke 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 other matters 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 5, 2010

***COCKE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT (E-911)
145 Mineral Street
Newport, Tennessee 37821***

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Cocke County Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal years ended June 30, 2009 and 2008. 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 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 credit (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, 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 Revenues, 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 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 changes in them is presented below:

SUMMARIZED FINANCIAL INFORMATION

	<u>2009</u>	<u>2008</u>
NET ASSETS		
Current assets	\$ 1,024,179	\$ 898,090
Capital assets	<u>417,460</u>	<u>404,799</u>
Total assets	<u>\$ 1,441,639</u>	<u>\$ 1,302,889</u>
Liabilities	\$ 3,034	\$ 1,761
Net assets:		
Invested in capital assets	417,460	404,799
Unrestricted	<u>1,021,145</u>	<u>896,329</u>
	<u>1,438,605</u>	<u>1,301,127</u>
Total liabilities and net assets	<u>\$ 1,441,639</u>	<u>\$ 1,302,889</u>
CHANGE IN NET ASSETS		
Operating revenue	\$ 445,473	\$ 442,818
Operating expenses	<u>391,385</u>	<u>330,314</u>
Operating income	54,087	112,504
Non-operating revenue	<u>83,390</u>	<u>81,038</u>
Change in net assets	137,477	193,542
Beginning net assets	<u>1,301,127</u>	<u>1,107,585</u>
Ending net assets	<u>\$ 1,438,605</u>	<u>\$ 1,301,127</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As shown by the summarized financial information, the District's net assets have increased by \$137,477 during the year ended June 30, 2009 (\$193,542 during the year ended June 30, 2008). Operating revenue increased at a rate of 1% in 2009 (2% in 2008) while expenses increased at a rate of 10% in 2009 (2% in 2008).

THE DISTRICT'S NET ASSETS

The District completed the year with net assets of \$1,438,605 in 2009 (\$1,301,127 in 2008) which is \$137,477 more than the prior year's ending net assets (\$193,542 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 the Cocke County Emergency Communications District 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 \$9,035 more than budgeted income for 2009 (\$6,936 more than budgeted income for 2008). State shared wireless income and income from private carriers due to cell phone use decreased from revenue for the prior year and was less than budgeted income by \$37,644 in 2009 (\$23,198 less than 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 \$719,786 (\$669,196 in 2008) with accumulated depreciation of \$302,326 (\$264,397 in 2008). Capital assets include the leasehold improvements, communications equipment, a vehicle, as well as office furniture and office equipment.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing the Cocke County Emergency Communications District is the potential decrease in revenue generated from landline telephones. Many residents now use cell phones for the residential lines. While the increase in cell phone use is generating revenue, only a portion of that revenue is being returned to each 911 district under the current system being used by the state for distributing shared wireless fees. The uncertainty of landline use and income from shared wireless fees has become a problem in estimating revenue for budget preparation. However, recent reports from telephone companies indicate that monthly losses of landline revenue may be stabilizing and may remain at a more manageable level in the future.

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 Kathy Cody, Director at the address on the letterhead.

Kathy L. Cody, Director

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF NET ASSETS

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 953,257	\$ 858,066
Accounts receivable	21,392	26,299
Due from TECB	49,311	13,507
Prepaid expenses	<u>219</u>	<u>219</u>
TOTAL CURRENT ASSETS	1,024,179	898,090
CAPITAL ASSETS		
Communications equipment	588,126	537,535
Office equipment	50,818	50,818
Vehicles	21,970	21,970
Leasehold improvements	<u>58,873</u>	<u>58,873</u>
	719,786	669,196
Accumulated depreciation	<u>(302,326)</u>	<u>(264,397)</u>
	<u>417,460</u>	<u>404,799</u>
TOTAL ASSETS	<u>\$ 1,441,639</u>	<u>\$ 1,302,889</u>

See the accompanying notes to the financial statements.

	<u>2009</u>	<u>2008</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Payroll deductions payable	\$ 3,034	\$ 1,761
NET ASSETS		
Invested in capital assets	417,460	404,799
Unrestricted	<u>1,021,145</u>	<u>896,329</u>
	<u>1,438,605</u>	<u>1,301,127</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,441,639</u>	 <u>\$ 1,302,889</u>

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

Years Ended June 30, 2009 and 2008

	2009	2008
OPERATING REVENUE		
Emergency telephone service charges	\$ 254,035	\$ 261,936
TECB-shared wireless charge	87,356	76,802
TECB-operational funding program	104,081	104,081
TOTAL OPERATING REVENUE	445,473	442,818
OPERATING EXPENSES		
Salaries and wages:		
Director	41,564	34,037
Administrative personnel	30,035	24,721
Overtime	8,162	7,872
Part-time personnel	73,367	59,138
Payroll expenses	0	7,297
	153,129	133,065
Employee benefits:		
Social security	9,543	8,249
Medicare	2,232	1,929
Medical insurance	34,475	23,881
Dental insurance	2,570	2,227
Retirement	9,619	0
Unemployment tax	1,610	1,109
	60,048	37,395
Contracted services:		
Addressing/mapping	82	773
Advertising	217	157
Audit services	3,750	3,250
Contracts with private agencies	2,828	1,890
Janitorial services	2,450	2,550
Lease/Rental-office equipment	1,104	1,104
Maintenance agreements	8,209	5,982
Pest control	670	705
NCIC/TBI/TIES	6,920	6,920

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

(continued)

Years Ended June 30, 2009 and 2008

	2009	2008
Contracted services(continued):		
Maintenance and repairs-buildings and facilities	9,987	1,965
Maintenance and repairs-communications equipment	8,814	6,251
Maintenance and repairs-vehicles	978	657
	46,010	32,204
Supplies and materials:		
Office supplies	2,993	2,655
Custodial supplies	1,326	1,084
Data processing supplies	2,334	3,555
Postage	444	258
Small equipment purchases	3,436	1,794
Other supplies and materials	895	2,562
Utilities-electric	6,046	5,680
Utilities-gas	806	598
Utilities-water	292	257
Utilities-general telephone	35,737	35,133
Utilities-cell phones and pagers	600	585
	54,908	54,160
Other charges:		
Board meeting expense	141	135
Dues and memberships	629	538
Insurance	9,769	9,094
Public education	4,389	2,972
Service awards	407	0
Training	1,239	2,807
Travel	4,390	4,561
	20,963	20,107
Depreciation	56,327	53,382
TOTAL OPERATING EXPENSES	391,385	330,314
INCOME FROM OPERATIONS	54,087	112,504

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS
 (continued)

Years Ended June 30, 2009 and 2008

	2009	2008
NON-OPERATING REVENUE		
Contributions from other governments	53,790	49,707
TECB-grant	10,000	14,877
Interest income	19,600	16,454
	83,390	81,038
CHANGE IN NET ASSETS	137,477	193,542
NET ASSETS AT THE BEGINNING OF THE YEAR	1,301,127	1,107,585
NET ASSETS AT THE END OF THE YEAR	\$ 1,438,605	\$ 1,301,127

See the accompanying notes to the financial statements.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Cash received from telephone charges	\$ 414,575	\$ 434,864
Cash paid to employees	(154,402)	(133,065)
Cash paid to suppliers	<u>(179,384)</u>	<u>(142,759)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	80,789	159,040
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(68,988)	(14,657)
CASH PROVIDED(USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from other governments	53,790	49,707
TECB-grant	<u>10,000</u>	<u>14,877</u>
NET CASH PROVIDED BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	63,790	64,584
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
Interest received	<u>19,600</u>	<u>16,454</u>
NET INCREASE IN CASH	95,191	225,421
CASH AT THE BEGINNING OF THE YEAR	<u>858,066</u>	<u>632,643</u>
CASH AT THE END OF THE YEAR	<u><u>\$ 953,257</u></u>	<u><u>\$ 858,066</u></u>

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF CASH FLOWS

(continued)

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from operations	\$ 54,087	\$ 112,504
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	56,327	53,382
(Increase)decrease in:		
Accounts receivable	4,907	(7,504)
Due from TECB	(35,804)	(450)
Increase in payroll deductions payable	<u>1,273</u>	<u>1,108</u>
	<u>26,702</u>	<u>46,536</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 80,789</u>	 <u>\$ 159,040</u>

See the accompanying notes to the financial statements.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE A - DESCRIPTION OF ORGANIZATION

Cocke County Emergency Communications District (the District) was created by a countywide referendum on November 8, 1988. The Cocke County Board of Commissioners appointed the District's initial Board of Directors on February 21, 1989 pursuant to Chapter 867 of the Public Acts of 1984. The District is responsible for the installation and maintenance of the emergency communications network of Cocke County, Tennessee (Enhanced 911 Service). The communications system became fully operational on November 15, 1992.

The District is considered a component unit of Cocke County, Tennessee because the Cocke 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:

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009 and 2008

Invested in capital assets: This category includes capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2009 and 2008 has been calculated as follows:

	<u>2009</u>	<u>2008</u>
Capital assets	\$ 719,786	\$ 669,196
Accumulated depreciation	<u>(302,326)</u>	<u>(264,397)</u>
	<u>\$ 417,460</u>	<u>\$ 404,799</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 and 2008.

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 and 2008, 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 thirty 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.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009 and 2008

Compensated Absences

The District's full-time employees are granted vacation leave in varying amounts and may accumulate a maximum of 25 days. In the event of termination, the employee is paid for any unused vacation leave.

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

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009 and 2008

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 being depreciated</u>				
Communications equipment	\$ 537,535	\$ 68,988	\$ (18,398)	\$ 588,126
Office equipment	50,818	0	0	50,818
Vehicle	21,970	0	0	21,970
Leasehold improvements	<u>58,873</u>	<u>0</u>	<u>0</u>	<u>58,873</u>
	669,196	68,988	(18,398)	719,786
<u>Accumulated depreciation</u>				
Communications equipment	(204,142)	(43,126)	18,398	(228,870)
Office equipment	(24,925)	(5,245)	0	(30,170)
Vehicle	(16,478)	(4,394)	0	(20,872)
Leasehold improvements	<u>(18,853)</u>	<u>(3,561)</u>	<u>0</u>	<u>(22,414)</u>
	<u>(264,397)</u>	<u>(56,327)</u>	<u>18,398</u>	<u>(302,326)</u>
	<u>\$ 404,799</u>	<u>\$ 12,661</u>	<u>\$ 0</u>	<u>\$ 417,460</u>
	<u>Balance</u> <u>7/1/07</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/08</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 537,535	\$ 0	\$ 0	\$ 537,535
Office equipment	44,391	6,427	0	50,818
Vehicle	21,970	0	0	21,970
Leasehold improvements	<u>50,643</u>	<u>8,230</u>	<u>0</u>	<u>58,873</u>
	654,539	14,657	0	669,196
<u>Accumulated depreciation</u>				
Communications equipment	(162,611)	(41,531)	0	(204,142)
Office equipment	(20,785)	(4,140)	0	(24,925)
Vehicle	(12,084)	(4,394)	0	(16,478)
Leasehold improvements	<u>(15,536)</u>	<u>(3,318)</u>	<u>0</u>	<u>(18,853)</u>
	<u>(211,015)</u>	<u>(53,382)</u>	<u>0</u>	<u>(264,397)</u>
	<u>\$ 443,524</u>	<u>\$ (38,725)</u>	<u>\$ 0</u>	<u>\$ 404,799</u>

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009 and 2008

NOTE E – RETIREMENT

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 5 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 a 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 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in the 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.tn.gov/treasury/tcrs>.

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 10.26% 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.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009 and 2008

Annual Pension Cost

For the year ended June 30, 2009, the District's annual pension cost of \$9,619 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 0 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	\$ 9,619	100.00%	\$ 0
6/30/08	0	100.00	0
6/30/07	0	100.00	0

Funded Status and Funding Progress

The District elected to participate in the Political Subdivision Pension Plan (PSPP), effective July 1, 2007. Therefore funding status and funding progress information as of that date are not available.

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.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2009 and 2008

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 plan assets	\$	0
Actuarial accrued liability (AAL)		N/A
Unfunded AAL (UAAL)		N/A
Funded ratio		N/A
Covered payroll		0
UAAL as a percentage of covered payroll		N/A

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.

NOTE G - LEASE OBLIGATIONS

The District leases its facilities from the City of Newport, Tennessee under an operating lease expiring in January 2015. The terms of the lease provide for lease payments of \$1.00 per year.

REQUIRED SUPPLEMENTARY INFORMATION

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

FUNDING PROGRESS – POLITICAL SUBDIVISION
PENSION PLAN SUPPLEMENTARY INFORMATION

June 30, 2009

Actuarial valuation date	7/1/07
Actuarial value of plan assets	\$ 0
Actuarial accrued liability (AAL)	N/A
Unfunded AAL (UAAL)	N/A
Funded ratio	N/A
Covered payroll	0
UAAL as a percentage of covered payroll	N/A

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Funding Progress using the Entry Age actuarial cost 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.

OTHER SUPPLEMENTARY INFORMATION

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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	\$ 254,035	\$ 245,000	\$ 9,035
TECB-shared wireless charge	87,356	125,000	(37,644)
TECB-operational funding program	<u>104,081</u>	<u>0</u>	<u>104,081</u>
TOTAL OPERATING REVENUE	445,473	370,000	75,473
OPERATING EXPENSES			
Salaries and wages:			
Director	41,564	41,564	0
Administrative personnel	30,035	30,939	(904)
Overtime	8,162	8,240	(78)
Part-time personnel	<u>73,367</u>	<u>73,850</u>	<u>(483)</u>
	153,129	154,593	(1,464)
Employee benefits:			
Social security	9,543	10,500	(957)
Medicare	2,232	3,000	(768)
Medical insurance	34,475	34,475	0
Dental insurance	2,570	2,570	0
Retirement	9,619	9,619	0
Unemployment	<u>1,610</u>	<u>2,409</u>	<u>(799)</u>
	60,048	62,573	(2,524)
Contracted services:			
Addressing/mapping	82	3,000	(2,918)
Advertising	217	3,000	(2,783)
Audit services	3,750	3,750	0
Contracts with private agencies	2,828	3,000	(172)
Janitorial services	2,450	2,600	(150)
Lease/Rental-office equipment	1,104	1,110	(6)
Maintenance agreements	8,209	11,671	(3,462)
Pest control	670	1,160	(490)
NCIC/TBI/TIES expenses	6,920	6,920	0

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2009

	<u>Actual</u> (Accrual basis)	<u>Budget</u> (Accrual basis)	<u>Variance</u> Over (Under)
Contracted services(continued):			
Maintenance and repairs- buildings and facilities	9,987	9,987	0
Maintenance and repairs- communications equipment	8,814	8,887	(74)
Maintenance and repairs- office equipment	0	500	(500)
Maintenance and repairs-vehicles	978	1,000	(22)
	<u>46,010</u>	<u>56,586</u>	<u>(10,576)</u>
Supplies and materials:			
Office supplies	2,993	3,000	(7)
Custodial supplies	1,326	1,500	(174)
Data processing supplies	2,334	3,950	(1,616)
Postage	444	500	(56)
Small equipment purchases	3,436	10,000	(6,564)
Other supplies and materials	895	1,000	(105)
Utilities-electric	6,046	6,050	(4)
Utilities-gas	806	900	(94)
Utilities-water	292	700	(408)
Utilities-general telephone	35,737	38,000	(2,263)
Utilities-cell phones and pagers	600	600	0
	<u>54,908</u>	<u>66,200</u>	<u>(11,292)</u>
Other charges:			
Board meeting expense	141	200	(59)
Dues and memberships	629	629	0
Insurance	9,769	11,316	(1,548)
Public education	4,389	6,000	(1,611)
Service awards	407	471	(64)
Training	1,239	6,819	(5,580)
Travel	4,390	5,070	(680)
	<u>20,963</u>	<u>30,505</u>	<u>(9,542)</u>

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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>
Depreciation	<u>56,327</u>	<u>60,000</u>	<u>(3,673)</u>
TOTAL OPERATING EXPENSES	<u>391,385</u>	<u>430,457</u>	<u>(39,072)</u>
INCOME(LOSS)			
FROM OPERATIONS	54,087	(60,457)	114,544
NON-OPERATING REVENUE			
Contributions from other governments	53,790	40,678	13,112
TECB-grant	10,000	0	10,000
Interest income	<u>19,600</u>	<u>10,000</u>	<u>9,600</u>
	<u>83,390</u>	<u>50,678</u>	<u>32,712</u>
CHANGE IN NET ASSETS	137,477	(9,779)	147,256
NET ASSETS AT THE BEGINNING			
OF THE YEAR	<u>1,301,127</u>	<u>1,301,127</u>	<u>0</u>
NET ASSETS AT THE END			
OF THE YEAR	<u>\$ 1,438,605</u>	<u>\$ 1,291,348</u>	<u>\$ 147,256</u>

See the accompanying independent accountants' audit report.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

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 Grant	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

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

PUBLIC SAFETY ANSWERING POINTS

June 30, 2009

There are two public safety answering points (PSAP) utilized by the Cocke County Emergency Communications District (the District).

Both of the PSAPs are located at the District's offices at 145 Mineral Street, Newport, TN 37821.

The District uses the following system and/or equipment:

Two Orbicom Model TDM-150 as PSAPs
Positron display units
MSAccess as its database program for maintaining the county's addresses.

See the accompanying independent accountants' audit report.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

ROSTER OF OFFICIALS

June 30, 2009

Director

Kathy Cody
145 Mineral Street
Newport, TN 37821
Telephone number: 423-623-5978
Telefax number: 423-623-4071

Chairman of the Board of Directors

Maurice Shults
145 Mineral Street
Newport, TN 37821
Telephone number: 423-623-5978
Telefax number: 423-623-4071

Members of the Board of Directors

Newell Byrd
Randy Ragan
Bryan Southerland
Claude Strange
Connie Ball
Jimmy Hensley
Norman Smith
Patti Ketterman

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
Cocke County Emergency Communications District
Newport, Tennessee

We have audited the financial statements of Cocke County Emergency Communications District, a component unit of Cocke County, Tennessee, as of and for the years ended June 30, 2009 and 2008 and have issued our report thereon dated February 5, 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 Cocke County Emergency Communications 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 Cocke County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cocke County Emergency Communications District'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 Cocke 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 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 and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 5, 2010