

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
A COMPONENT UNIT OF SEVIER COUNTY

Sevierville, Tennessee

FINANCIAL STATEMENTS

June 30, 2009 and 2008

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

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SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT OFFICIALS

BOARD OF DIRECTORS FOR 2008 – 2009:

- |                     |                                   |                   |
|---------------------|-----------------------------------|-------------------|
| • Jack Baldwin      | Pigeon Forge Chief of Police      | Chairman of Board |
| • Randy Brackins    | Gatlinburg Chief of Police        | Vice-Chairman     |
| • Larry Waters      | County Mayor                      | Treasurer         |
| • Steve Huskey      | Sevier County Ambulance Authority | Secretary         |
| • Ron Seals         | Sevier County Sheriff             | Board Member      |
| • Don Myers         | Sevierville Chief of Police       | Board Member      |
| • Tony Watkins      | Pigeon Forge Fire Department      | Board Member      |
| • Gene Byrd         | County Commissioner               | Board Member      |
| • Fred Atchley, Jr. | County Commissioner               | Board Member      |

MANAGEMENT OFFICIALS FOR 2008 – 2009:

- |                 |                      |
|-----------------|----------------------|
| • Vince Loveday | District Coordinator |
| • Alene Galyon  | Office Manager       |

Note: The resolution establishing the Sevier County Emergency Communications District, passed by Sevier County Board of Commissioners on January 19, 1987, states that the nine (9) members of said Board of Directors shall consist of the County Mayor of Sevier County, two members of the Sevier County Board of County Commissions, the Sheriff of Sevier County, three representatives – one from each of the three Cities of Gatlinburg, Pigeon Forge and Sevierville, a person selected by the fire departments receiving contributions from Sevier County and one person from a local Ambulance Authority. Elected officials currently serving on the board include the County Mayor, County Commissioners and the Sevier County Sheriff.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
Sevierville, Tennessee  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009

**FINANCIAL HIGHLIGHTS**

Operating revenues for the emergency communications district were \$922,914 for fiscal year 2009, compared to \$919,237 for fiscal year 2008. This was an increase of \$3,677 during the current year. Net income produced an increase in net assets of \$257,607 in 2009, and \$472,291 in 2008. The term "net assets" refers to the difference between assets and liabilities. At the close of the fiscal year 2009, the district has net assets of \$2,311,314 an increase of 12.54% over the prior year, and at the close of the fiscal year 2008, the district had net assets of \$2,053,707, an increase of 29.86% 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 OF THE DISTRICT

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 \$2,311,314 at the close of June 30, 2009. This represents an increase of \$257,607 (12.54 %) over the previous year. The unrestricted net assets were \$907,351. At the close of June 30, 2008, assets exceeded liabilities by \$2,053,707 and represented an increase of \$572,291 (29.86%) over the previous year. The unrestricted net assets were \$1,113,498. By far, the largest portion of the district's net assets reflects its investment in certificates of deposit. These certificates of deposit are in various local financial institutions, all of which are members of the Tennessee State Collateral Pool. Interest Rates on these certificates range from 2.25% to 3.85%. Maturity dates range from July 2009 to June 2010. Much of the funds invested in certificates of deposits are expected to be used to purchase capital assets over the next few years. The board considers the upgrades of the 911 system to be an ongoing process to stay current with technological advances.

Emergency communications district's net assets are as follows for the fiscal years ending June 30, 2009, 2008 and 2007.

|                            |                        |                        |                        |
|----------------------------|------------------------|------------------------|------------------------|
|                            | <u>2009</u>            | <u>2008</u>            | <u>2007</u>            |
| Current Assets             | \$994,031              | \$1,127,225            | \$945,082              |
| Capital Assets             | 1,403,963              | 940,209                | 647,795                |
| <br>Total Assets           | <br><u>\$2,397,994</u> | <br><u>\$2,067,434</u> | <br><u>\$1,592,877</u> |
| <br>Current Liabilities    | <br>\$86,680           | <br>\$13,727           | <br>\$11,461           |
| Long-Term Liabilities      | <u>0</u>               | <u>0</u>               | <u>0</u>               |
| <br>Total Liabilities      | <br><u>\$86,680</u>    | <br><u>\$13,727</u>    | <br><u>\$11,461</u>    |
| <br>Net Assets             |                        |                        |                        |
|                            | <u>2009</u>            | <u>2008</u>            | <u>2007</u>            |
| Invested in Capital Assets | \$1,403,963            | \$940,209              | \$647,795              |
| Unrestricted               | <u>907,351</u>         | <u>1,113,498</u>       | <u>933,621</u>         |
| <br>Total Assets           | <br><u>\$2,311,314</u> | <br><u>\$2,053,707</u> | <br><u>\$1,581,416</u> |

Emergency Communications District's changes in net assets are as follows for the fiscal year ended June 30, 2009, 2008, 2007.

|                                      | <u>2009</u>        | <u>2008</u>        | <u>2007</u>        |
|--------------------------------------|--------------------|--------------------|--------------------|
| Operating Revenues                   | \$922,914          | \$919,237          | \$903,631          |
| Operating Expenses                   | <u>717,144</u>     | <u>659,563</u>     | <u>642,521</u>     |
| Income from Operations               | <u>\$205,770</u>   | <u>\$259,674</u>   | <u>\$261,110</u>   |
| Non-Operating Revenues (expenses)    |                    |                    |                    |
| Interest Income                      | \$30,217           | \$40,350           | \$14,720           |
| Casualty Loss from Lightning Strike  | (13,116)           | 0                  | 37,733             |
| State Grants & Reimbursements        | <u>34,736</u>      | <u>172,267</u>     | <u>37,733</u>      |
| Net Non-Operating Revenue (expenses) | <u>\$51,837</u>    | <u>\$212,617</u>   | <u>\$52,453</u>    |
| Change in Net Assets                 | <u>257,607</u>     | <u>472,291</u>     | <u>313,563</u>     |
| Net Assets Beginning of Year         | <u>\$2,053,707</u> | <u>\$1,581,416</u> | <u>\$1,267,853</u> |
| Net Assets, End of Year              | <u>\$2,311,314</u> | <u>\$2,053,707</u> | <u>\$1,581,416</u> |

#### Significant Events

During the year ended June 30, 2007, the Sevier County Emergency Communication District's board of directors approved the purchase of Moducom 9-1-1 phone equipment for Sevier County Central Dispatch as part of its ongoing policy of updating technologies.

During the year ended June 30, 2008, the Sevier County Emergency Communication District's board of directors approved the purchase of Moducom 9-1-1 phone equipment for Gatlinburg and Pigeon Forge Police Department.

During the year ended June 30, 2009, the Sevier county Emergency Communication District's board of directors approved the purchase of four radios and antennas. This equipment would allow the Sevierville Police Department, the Pigeon Forge Police Department, the Sevier County Sheriff's Department and the Gatlinburg Police Department to function as a back-up system in the event that Sevier County Central Dispatch ever had to be evacuated.

#### Cash Flow

Net cash provided by operating activities during the year ended June 30, 2009, was \$281,212, a decrease of \$76,053 from the prior year amount. This decrease was principally due to higher expenses. Net cash used by financing activities involving purchases of new Moducom 9-1-1 phone equipment during the year ended June 30, 2009, resulted in a decrease in cash of \$629,723. Net cash used by investing activities during the year ended June 2009, was \$92,412 due to the purchase of investments.

Net cash provided by operating activities during the year ended June 30, 2008 was \$357,265, an increase of \$1,242 from the prior year amount. Net cash used by financing activities involving the purchase of new Moducom 9-1-1 phone equipment during the year ended June 30, 2008, resulted in a decrease in cash of \$369,099. Net cash provided by investing activities during the year ended June 30, 2008 was \$16,746.

**Budgetary 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 supplementary information.

**Capital Assets and Debt Administration**

Capital Assets: The District's investment in capital assets amount to \$1,403,963, net accumulated, depreciation as of June 30, 2009, an increase of \$463,754. Capital assets primarily include communications equipment and computer hardware and software used in 9-1-1 communications.

Long term debt: The district has no long-term debt as of June 30, 2009; and no long-term debt as of June 30, 2008.

**Request for Information**

The 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 information provided in this report or request for additional financial information should be addressed to: Director, Sevier County Emergency Communications District, at 245 Bruce Street, Sevierville, TN 37862.

# HICKMAN AND COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Sevier County Emergency Communications District  
Sevierville, Tennessee

We have audited the accompanying financial statements of the Sevier County Emergency Communications District, a component unit of Sevier County, as of, and for the years ended, June 30, 2009 and 2008, as listed in the table of contents. 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 Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Sevier County Emergency Communications District and do not purport to, and do not, present fairly the financial position of the County of Sevier, Tennessee as of June 30, 2009 and 2008, and the changes in its financial position of the years ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sevier County Emergency Communications District as of June 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 thru 4 is not part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements of the Sevier County Emergency Communications District taken as a whole. The supplementary data included in the schedules on pages 18-21 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Sevier County Emergency Communications District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Sevier County Emergency Communications District  
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated October 6, 2009 on our consideration of the Sevier County Emergency Communications District's compliance and internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Hickman and Company, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS  
October 6, 2009

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
 Sevierville, Tennessee  
STATEMENT OF NET ASSETS  
 June 30, 2009 and 2008

**- ASSETS -**

**Current Assets:**

|                                    | <u>2009</u>             | <u>2008</u>               |
|------------------------------------|-------------------------|---------------------------|
| Cash and Cash Equivalents (Note 2) | \$170,433               | \$576,620                 |
| Investments                        | 278,886                 | 458,480                   |
| Accounts Receivable (Note 3)       | 226,890                 | 86,366                    |
| Accrued Interest Receivable        | 3,303                   | 1,079                     |
| Prepaid Expenses                   | 14,519                  | 4,680                     |
| <b><u>Total Current Assets</u></b> | <b><u>\$994,031</u></b> | <b><u>\$1,127,225</u></b> |

**Fixed Assets:** (Notes 1 and 5)

|  |                           |                         |
|--|---------------------------|-------------------------|
| Buildings and Improvements                 | \$697,861                 | \$693,561               |
| Furniture and Fixtures                     | 79,417                    | 74,332                  |
| Equipment                                  | 1,916,469                 | 1,312,922               |
| Vehicles                                   | 49,438                    | 49,438                  |
|  | <u>\$2,743,185</u>        | <u>\$2,130,253</u>      |
| Less: Accumulated Depreciation             | (1,339,222)               | (1,190,044)             |
| <b><u>Total Property and Equipment</u></b> | <b><u>\$1,403,963</u></b> | <b><u>\$940,209</u></b> |

**TOTAL ASSETS**

|  |                    |                    |
|--|--------------------|--------------------|
|  | <u>\$2,397,994</u> | <u>\$2,067,434</u> |
|--|--------------------|--------------------|

**- LIABILITIES -**

**Current Liabilities:**

|   |                        |                        |
|---|------------------------|------------------------|
| Accounts Payable                        | \$78,923               | \$6,093                |
| Compensated Absences Payable (Note 1)   | 7,757                  | 7,634                  |
| <b><u>Total Current Liabilities</u></b> | <b><u>\$86,680</u></b> | <b><u>\$13,727</u></b> |

**TOTAL LIABILITIES**

|  |                 |                 |
|--|-----------------|-----------------|
|  | <u>\$86,680</u> | <u>\$13,727</u> |
|--|-----------------|-----------------|

**Net Assets**

|                                |                           |                           |
|--------------------------------|---------------------------|---------------------------|
| Invested in Capital Assets     | \$1,403,963               | \$940,209                 |
| Unrestricted Net Assets        | 907,351                   | 1,113,498                 |
| <b><u>TOTAL NET ASSETS</u></b> | <b><u>\$2,311,314</u></b> | <b><u>\$2,053,707</u></b> |

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

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
Sevierville, Tennessee  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS  
For the Years Ended June 30, 2009 and 2008

| <u>OPERATING REVENUES:</u>  | <u>2009</u>                   | <u>2008</u>                   |
|---|-------------------------------|-------------------------------|
| Emergency Telephone Service Charge                                    | \$560,580                     | \$578,071                     |
| Tennessee Emergency Communications Board -- Shared Wireless Charge    | 185,228                       | 164,197                       |
| TECB-Operational Funding  | 176,619                       | 176,619                       |
| Other Operating Revenues  | 487                           | 350                           |
| <b><u>Total Operating Revenues</u></b>                                | <b><u>\$922,914</u></b>       | <b><u>\$919,237</u></b>       |
| <br><u>OPERATING EXPENSES:</u>  |                               |                               |
| Salaries and Wages  | \$213,571                     | \$199,014                     |
| Employee Benefits   | 68,704                        | 67,547                        |
| Contracted Services   | 206,004                       | 222,120                       |
| Supplies and Materials  | 47,507                        | 44,071                        |
| Other Charges   | 32,211                        | 26,888                        |
| Depreciation  | 149,147                       | 99,923                        |
| <b><u>Total Operating Expenses</u></b>                                | <b><u>\$717,144</u></b>       | <b><u>\$659,563</u></b>       |
| <b><u>Operating Income</u></b>  | <b><u>\$205,770</u></b>       | <b><u>\$259,674</u></b>       |
| <br><u>NON-OPERATING REVENUES (EXPENSES):</u>                         |                               |                               |
| Interest Income   | \$30,217                      | \$40,350                      |
| Casualty Loss from Lightening Strike                                  | (13,116)                      | 0                             |
| Tennessee Emergency Communications Board -- Grants and Reimbursements | 34,736                        | 172,267                       |
| <b><u>Total Non-Operating Revenues (Expenses)</u></b>                 | <b><u>\$51,837</u></b>        | <b><u>\$212,617</u></b>       |
| <br>Net Income for the Year   | <br>\$257,607                 | <br>\$472,291                 |
| <br><b>NET ASSETS, BEGINNING OF YEAR</b>                              | <br><b><u>2,053,707</u></b>   | <br><b><u>1,581,416</u></b>   |
| <br><b>NET ASSETS, END OF YEAR</b>                                    | <br><b><u>\$2,311,314</u></b> | <br><b><u>\$2,053,707</u></b> |

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

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
Sevierville, Tennessee  
STATEMENT OF CASH FLOWS  
For the Years Ended June 30, 2009 and 2008

| <u>Cash Flows from Operating Activities:</u>   | <u>2009</u>           | <u>2008</u>           |
|--|-----------------------|-----------------------|
| Cash from Emergency Telephone Service Charge   | \$562,391             | \$579,194             |
| Cash from State Emergency Communications Board – Shared Wireless Charge                            | 146,091               | 161,871               |
| Cash from Map Sales and Other Operating Revenues   | 147,669               | 176,971               |
| Cash Payments to Employees and Professional Contractors for Services                               | (486,632)             | (488,221)             |
| Cash Payments to Suppliers for Goods and Services  | (88,307)              | (72,550)              |
| <br><u>Net Cash Provided by Operating Activities</u>   | <br><u>\$281,212</u>  | <br><u>\$357,265</u>  |
| <br><u>Cash Flows from Non-Capital Financing Activities:</u>                                       |                       |                       |
| State Emergency Communications Board – Grants and Reimbursements                                   | \$34,736              | \$172,267             |
| <br><u>Cash Flows from Capital and Related Financing Activities:</u>                               |                       |                       |
| Purchase of Property and Equipment   | (629,723)             | (389,099)             |
| <br><u>Cash Flows from Investing Activities:</u>   |                       |                       |
| Proceeds from Investment CD's  | \$458,480             | \$437,787             |
| Purchase of Investment Securities  | (578,886)             | (460,312)             |
|  | 27,994                | 39,271                |
| <br><u>Net Cash Provided (Used) by Investing Activities</u>  | <br><u>(\$92,412)</u> | <br><u>(\$16,746)</u> |
| <br>NET INCREASE (DECREASE) IN CASH  | <br>(\$406,187)       | <br>\$157,179         |
| <br>CASH, BEGINNING OF YEAR  | <br>576,620           | <br>419,441           |
| <br>CASH, END OF YEAR  | <br><u>\$170,433</u>  | <br><u>\$576,620</u>  |
| <br><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>        |                       |                       |
| <br><u>Operating Income:</u>   | <br>\$205,770         | <br>\$259,674         |
| <br><u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u> |                       |                       |
| Depreciation and Amortization  | 149,147               | 99,923                |
| (Increase) Decrease in Accounts Receivable   | (66,763)              | (1,200)               |
| (Increase) Decrease in Prepaid Expenses  | (9,839)               | (159)                 |
| Increase (Decrease) in Accounts Payable  | 2,774                 | (440)                 |
| Increase (Decrease) in Compensated Absences Payable  | 123                   | (533)                 |
| <br><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>   | <br><u>\$281,212</u>  | <br><u>\$357,265</u>  |

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

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

STATEMENT OF CASH FLOWS (CONT)

For the Years Ended June 30, 2009 and 2008

**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:**

|  |            |
|--|------------|
| Loss of equipment due to lightening strike at Sevier County Sheriff's Office 6/17/09 | (\$74,000) |
|--|------------|

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –

The Organization – The Sevier County Emergency Communications District, commonly referred to as E-911, was established to provide services under the Emergency Communications District Law, Tennessee Code Annotated, Chapter 86. The District was created by a resolution of the Sevier County Court in February, 1987, after adoption by public referendum in November, 1986. Under its enabling legislation, the District is a municipality with powers of perpetual succession, but without any power to levy or collect taxes. Charges for services authorized shall not be considered as taxes. The powers of the District are vested in and exercised by a majority of the members of the Board of Directors of the District. The District is a component unit of Sevier County, whereby the County is financially accountable for the District, as well as required by law to appoint a voting majority to the Board of Directors.

Fund Accounting and Basis of Accounting – The financial statements of the Sevier County Emergency Communications District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below.

The District's accounts are organized on the basis of fund accounting. The entity is a Proprietary Fund type known as an Enterprise Fund.

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs are financed through user charges.

Proprietary funds are accounted for on a "flow of economic resources" measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses), in net total assets.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non exchange transactions and ancillary activities.

Budgets and Budgetary Accounting – As set forth in the Tennessee Code Annotated Section 7-86-120, Sevier County Emergency Communications District formally adopts an annual budget. The budget is prepared on a modified cash basis. Certain capital expenditure items are included as an item of expense. Revisions to the budget were approved by the Board of Directors as changes became necessary throughout the year. For the year ended June 30, 2009, the budgeted expense was \$1,462,600. Anticipated revenues were \$1,462,600 at original budget date. All unencumbered annual appropriations lapse at fiscal year-end. A Statement of Revenue, Expenses and Changes in Fund Net Assets, Actual Compared to Budget, is presented in the supplemental information. This statement reconciles the modified cash basis budget to the accrual basis presentation of the financial statements.

Compensated Absences – The entity allows employees to accumulate unused sick leave of an unlimited amount. This can be credited toward retirement (See Note 6). Earned vacation time is generally required to be used within one year of accrual.

As of June 30, 2009 and 2008, respectively, the liability for earned vacation time accrued was \$7,757 and \$7,634.

Property and Equipment – Property, equipment and buildings are stated at cost less accumulated depreciation, computed on the straight-line method over the estimated useful lives as follows: equipment, three to ten years; automobile, five years; building, thirty-nine years.

Statement of Cash Flows – Sevier County Emergency Communications District considers, for the purposes of the Statement of Cash Flows, all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2 – CASH –

The District’s cash funds, except for a nominal amount of petty cash, are deposited, at its own discretion, in checking accounts and certificates of deposit at local depository banks.

At June 30, 2009 and 2008 respectively, the carrying amount of the District’s certificates of deposit were \$578,886 and \$663,867 and the bank balances were \$170,383 and \$371,183. All deposits during the two-year period covered by this audit were collateralized by The State of Tennessee Bank Collateral Pool or individual pledged securities for balances over the FDIC insured amount. The following is disclosed concerning cash depository accounts:

- a. Name of bank.
  - b. Amount of security pledged as of the date of highest balance on deposit.
  - c. Largest cash, savings and time deposit combined amount and month of occurrence.
  - d. Total amount of FDIC coverage at the time of largest combined balance.
- 
- a. Citizens National Bank
  - b. All governmental funds collateralized by State of Tennessee Collateral Pool.
  - c. \$776,718, September, 2008
  - d. \$100,000.00
- 
- a. Tennessee State Bank
  - b. All governmental funds collateralized by State of Tennessee Collateral Pool.
  - c. \$455,969, September, 2008
  - d. \$100,000.00
- 
- a. Smart Bank
  - b. Collateralized by \$50,000 FNMA CMO Pool 2009-32 Pledged by Smart Bank agent.
  - c. \$255,955, June, 2009
  - d. \$250,000.00

The Sevier County Emergency Communication District, in accordance with Tennessee Code Annotated Section 5-8-301, is allowed to invest idle district funds based on the maximum extent of return without loss of principal for a period of no more than two years. The District’s investments are placed in certificates of deposit through a Tennessee state chartered bank and are to be secured at 100% by the Treasurer, State of Tennessee Bank Collateral Pool.

NOTE 3 – REVENUE AND SUPPORT –

Revenue – The District’s primary source of revenue is a surcharge on Sevier County telephone service collected by Telephone Service Providers in accordance with Tennessee Code Annotated Section 7-86-108. This surcharge may be levied for Sevier County Emergency Communications Districts by Telephone Service Providers up to a maximum of \$.65 per month for residence–classification users and \$2.00 per month for business–classification users. Effective May 20, 1993, Tennessee Code Annotated Section 7-86-108 was amended to allow rates to be increased to exceed the maximum stated above; however, this must be done by the Board of Directors of emergency communications districts calling a referendum. If approved, the maximum monthly charges cannot exceed \$1.50 for residential users or \$3.00 for business users. Not more than one referendum may be held in any 24-month period. During the fiscal years ended June 30, 2009 and 2008, total operating revenues in the amount of \$751,573 and \$746,162 were earned from telephone surcharges. Surcharges in the amount of \$5,765 and \$3,894 were uncollectible at June 30, 2009 and 2008, respectively. Emergency Telephone Surcharge revenue is shown net of these uncollectible amounts.

The District receives surcharge revenue from, AT&T Communications, USLEC of TN, Inc., Nuvox Communications, ITC Deltacom, Charter Fiberlink TN, LLC, Birch Telecom, and 29 other telephone service providers as well as the State of Tennessee (cell phones).

The accounts receivable balance at June 30, 2009 and 2008, \$225,595 and \$86,366 respectively, represents net amounts of \$28,945 and \$32,786 due from AT&T for the surcharge on Sevier County telephone services for the month of June, \$30,294 and \$28,640 due from the State of Tennessee for cell phone revenue as well as \$167,650 and \$24,940 in revenue from other sources.

Support – An undetermined amount of operating support was received during the fiscal years ended June 30, 2009 and 2008 from various law-enforcement agencies or departments located in Sevier County. This support is in the form of personnel costs to receive and handle the calls to Emergency 911. Sevier County is divided into emergency service number (ESN) boundaries and the service number from which the call is being placed determines which Public Safety Answering Point (PSAP) would receive the call. At June 30, 2009, all phone services in Sevier County had been addressed and totaled 69,328. These were serviced by the answering points of various agencies or departments in the following approximate percentages:

|                                |                |
|--------------------------------|----------------|
| Pigeon Forge Police Department | <u>7.78%</u>   |
| Central Dispatch               | <u>92.22%</u>  |
| <u>TOTAL</u>                   | <u>100.00%</u> |

NOTE 4 – EXPENSES –

The District's expenses incurred from AT&T other than normal telephone charges for the years ended June 30, 2009 and 2008 were as follows:

|  |                  |                  |
|--|------------------|------------------|
|  | 2009             | 2008             |
| Service Fee                              | <u>\$115,995</u> | <u>\$142,718</u> |
| Administration Fee of 1% of Net Revenues | 3,672            | 4,035            |
| Fax Monthly Line Expenses                | <u>8,278</u>     | <u>7,214</u>     |
| <u>TOTAL</u>                             | <u>\$127,945</u> | <u>\$153,967</u> |

NOTE 5 – CHANGES IN FIXED ASSETS –

The following is a summary of fixed assets at June 30, 2009:

|   | Balance<br>6/30/2008 | Additions        | Deletions       | Balance<br>6/30/2009 |
|---|----------------------|------------------|-----------------|----------------------|
| Buildings   | \$693,561            | \$4,300          | -               | \$697,861            |
| Less: Accumulated Depreciation – Buildings            | (206,951)            | (18,195)         | -               | (225,146)            |
| Furniture and Fixtures                                | 74,332               | 5,085            | -               | 79,417               |
| Less: Accumulated Depreciation – Furniture & Fixtures | (66,903)             | (1,684)          | -               | (68,587)             |
| Equipment   | 1,312,922            | 677,547          | 74,000          | 1,916,469            |
| Less: Accumulated Depreciation – Equipment            | (866,752)            | (129,299)        | -               | (996,051)            |
| Automobile  | 49,438               | -                | -               | 49,438               |
| Less: Accumulated Depreciation – Automobile           | (49,438)             | -                | -               | (49,438)             |
| <u>Total Net Fixed Assets</u>                         | <u>\$940,209</u>     | <u>\$537,754</u> | <u>\$74,000</u> | <u>\$1,403,963</u>   |

NOTE 6 – RETIREMENT COMMITMENTS –

Plan Description – Employees of Sevier County 911 Emergency 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 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Sevier County 911 Emergency District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy – Sevier County 911 Emergency District requires employees to contribute 5.0 percent of earnable compensation.

Sevier County 911 Emergency District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 11.75% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Sevier County 911 Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost – For the year ending June 30, 2009, Sevier County 911 Emergency District’s annual pension cost of \$24,941 to TCRS was equal to Sevier County 911 Emergency 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 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of 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. Sevier County 911 Emergency 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 12 years. An actuarial evaluation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

| Fiscal Year Ending | Annual Pension Cost (APC) | Trend Information             |                        |
|--------------------|---------------------------|-------------------------------|------------------------|
|                    |                           | Percentage of APC Contributed | Net Pension Obligation |
| June 30, 2009      | \$24,941                  | 100.00%                       | \$0.00                 |
| June 30, 2008      | 24,846                    | 100.00%                       | 0.00                   |
| June 30, 2006      | 23,323                    | 100.00%                       | 0.00                   |

**Funded Status and Funding Progress**

As of July 1, 2007, the most recent actuarial valuation date, the plan was 86.46% funded. The actuarial accrued liability for benefits was \$495 million, and the actuarial value of assets was \$428 million, resulting in a funded actuarial accrued liability (UAAL) of \$67 million. The covered payroll (annual payroll of active employees covered by the plan) was \$186 million, and the ratio of the UAAL to cover the payroll was 36.02%.

The schedules of funding progress present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

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

(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) -Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------|---------------------------|--|---------------------|--------------|-----------------|---|
|                          | (a)                       | (b)  | (b) - (a)           | (a/b)        | (c)             | ((b-a)/c)                               |
| July 1, 2007             | \$428                     | \$495  | \$67                | 86.46%       | \$186           | 36.02%                                  |

Schedule of Funding Progress for Sevier County 911 Emergency District, 88411

(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) -Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------|---------------------------|--|---------------------|--------------|-----------------|---|
|                          | (a)                       | (b)  | (b) - (a)           | (a/b)        | (c)             | ((b-a)/c)                               |
| July 1, 2007             | \$428                     | \$495  | \$67                | 86.46%       | \$186           | 36.02%                                  |

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

NOTE 7 – LOSS POLICY –

Sevier County Emergency Communications District incurs risk of loss from the following types of events:

- Torts
- Theft of, damage of, or destruction of assets
- Business Interruptions
- Errors or Omissions
- Job-Related Illness or Injuries to Employees
- Acts of God

It is the policy of Sevier County Emergency Communications District to retain membership in the Tennessee Municipal League Risk Management Pool (TML) that currently operates as a common risk management and insurance program for members. Sevier County Emergency Communications District pays an annual premium to TML for the following risk coverage's: General Liability, Law Enforcement Liability, Errors and Omissions, Employee dishonesty, Automobile Liability, Automobile Physical Damage, Workers Compensation, Employers Liability, and Official Statutory Blanket

Bonds. TML agrees to provide coverage for the types of losses listed previously, in return for premiums paid. Sevier County Emergency Communications District retains the risk of loss only to the extent of the amount of policy deductibles.

There have been no significant reductions in policy coverage's in any major categories of risk. No settlements have exceeded policy coverage's in fiscal years 2007, 2008, and 2009

At present, there are no liabilities or loss contingencies because no information exists to indicate that an asset is (or will be) impaired. Therefore, no loss amount is required to be estimated, accrued or disclosed.

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

SUPPLEMENTAL SCHEDULES

For the Year Ended June 30, 2009

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
Sevierville, Tennessee  
SCHEDULE OF INSURANCE IN FORCE  
June 30, 2009

Liability:

TML Risk Management Pool (TML):  
Bodily Injury, Property Damage and Personal Injury

Non-Tort Exposure

Automobile Bodily Injury and Property Damage Liability

Public Officials Personal Errors and Omissions Liability

Auto Physical Damage

Coverage:

\$300,000/700,000/100,000

\$1,000,000 per occurrence

\$300,000/700,000/100,000  
(Includes uninsured motorist)

\$1,000,000 per occurrence

Uninsured Motorist  
\$300,000/100,000

Property:

TML Risk Management Pool (TML):

Buildings and Personal Property

Electronic Data Processing Equipment

Crime Coverage – Employee/Forgery/Theft/Computer

\$2,280,187

\$974,946

\$100,000

Employee Dishonesty Bond:

TML Risk Management Pool (TML):

Chairman of the Board, Vice Chairman, Secretary, Treasurer,  
Coordinator and Staff Secretary – Blanket Coverage

\$100,000 each

Workers' Compensation:

TML Risk Management Pool (TML):

Bodily Injury by Accident or Disease, Including Death

\$300,000

Policy Limit 700,000

SEVIER COUNTY COMMUNICATIONS DISTRICT  
Sevierville, Tennessee  
SCHEDULE OF INFORMATION REQUIRED BY THE  
TENNESSEE EMERGENCY COMMUNICATIONS BOARD  
June 30, 2009

PUBLIC SAFETY ANSWERING POINTS (PSAP)

PRIMARY

Pigeon Forge Police Department  
225 Pine Mountain Road  
Pigeon Forge, TN 37863

Central Dispatch  
245 Bruce Street  
Sevierville, TN 37864

SECONDARY BACKUP

Sevierville Police Department  
200 Gary Wade Blvd.  
Sevierville, TN 37862

Sevier County Sheriff Department  
106 W. Bruce Street  
Sevierville, TN 37862

Gatlinburg Police Department  
1230 East Parkway, Suite 1  
Gatlinburg, TN 37738

Each of the primary, and the secondary backup PSAP's uses Moducom Communication 911 Systems, and the AT&T ANI (Automatic Number Identification) and ALI (Address Location Identification) network database.

Sevier County Emergency Communications District Coordinator:

|                       |                       |
|-----------------------|-----------------------|
| Vince Loveday         | Phone: (865) 428-5542 |
| 245 Bruce Street      | Fax: (865) 429-4911   |
| P. O. Box 4572        |                       |
| Sevierville, TN 37864 |                       |

Sevier County Emergency Communications District Chairman:

|                                |                       |
|--------------------------------|-----------------------|
| Jack Baldwin, Chief of Police  | Phone: (865) 453-9063 |
| Pigeon Forge Police Department | Fax: (865) 453-7211   |
| P. O. Box 1350                 |                       |
| Pigeon Forge, TN 37863         |                       |

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL

June 30, 2009

# HICKMAN AND COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

517 Callahan Drive  
Knoxville, TN 37912  
Tel. (865)689-9598  
Fax (865)689-5370

Member  
American Institute of  
Certified Public Accountants

Member  
Tennessee Society of  
Certified Public Accountants

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

Board of Directors  
Sevier County Emergency Communications District  
Sevierville, Tennessee

We have audited the financial statements of the Sevier County Emergency Communications District, a component unit of Sevier County, as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated October 6, 2009. We conducted our audit in accordance with Auditing Standards Generally Accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sevier County Emergency Communications District's control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sevier County Emergency Communication District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sevier County Emergency Communication District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Sevier County Emergency Communications District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sevier County Emergency Communication District's financial statements that is more than inconsequential will not be prevented or detected by the Sevier County Emergency Communication District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sevier County Emergency Communication District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. 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 Sevier 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 the Board of Directors, management, others within the organization, County Commission and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hickman and Company, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

October 6, 2009

