

McMinn County Emergency Communications District

Financial Statements with Accompanying Information Year Ended June 30, 2010

with
Independent Auditors' Report

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

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Independent Auditors' Report

Board of Directors
McMinn County Emergency Communications District
Athens, Tennessee

We have audited the accompanying balance sheet of the McMinn County Emergency Communications District (the "District"), a component unit of McMinn County, Tennessee, as of June 30, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2010, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

HG & A Associates, P.C.

November 10, 2010

McMinn County Emergency Communications District

1107 S. Congress Parkway, Athens, Tennessee 37303-2403
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Management's Discussion and Analysis

Our discussion and analysis of the McMinn County Emergency Communications District's (the "District") financial performance provides an overview of the District's activities for the year ended June 30, 2010. Please read it in conjunction with the District's financial statements, as listed in the table of contents.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The balance sheet and the statement of revenues, expenses and changes in net assets provide information about the District as a whole and present a long-term view of the District's finances.

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

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The balance sheet and the statement of revenues, expenses, and changes in net assets report information about the District and about its activities that help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

CONDENSED BALANCE SHEET

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

	<u>2010</u>	<u>2009</u>
Current assets	\$ 1,030,551	882,000
Capital assets	1,072,806	1,203,573
Other assets	<u>2,392</u>	<u>4,784</u>
Total Assets	\$ <u>2,105,749</u>	<u>2,090,357</u>
Current liabilities	\$ 30,903	31,097
Noncurrent liabilities	<u>-</u>	<u>7,904</u>
Total Liabilities	<u>30,903</u>	<u>39,001</u>
Net assets:		
Invested in capital assets	1,064,902	1,179,829
Unrestricted	<u>1,009,944</u>	<u>871,527</u>
Total Net Assets	<u>2,074,846</u>	<u>2,051,356</u>
Total Liabilities and Net Assets	\$ <u>2,105,749</u>	<u>2,090,357</u>

The District's net assets increased by approximately 1.1% during the current year while unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations, increased by approximately 16%.

Revenues, Expenses and Changes in Net Assets are as follows:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>2010</u>	<u>2009</u>
Revenues:		
Emergency telephone charges	\$ 206,206	231,011
Tennessee ECB shared wireless charges	124,075	137,566
Tennessee ECB operational funding	<u>154,449</u>	<u>120,041</u>
Total operating revenues	484,730	488,618
Total operating expenses	<u>869,597</u>	<u>823,826</u>
Operating loss	(384,867)	(335,208)
Non-operating revenues (expenses)	<u>408,357</u>	<u>505,772</u>
Change in net assets	23,490	170,564
Net assets – beginning of year	<u>2,051,356</u>	<u>1,880,792</u>
Net assets – end of year	\$ <u>2,074,846</u>	<u>2,051,356</u>

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

	<u>2010</u>	<u>2009</u>
Emergency telephone surcharges	23.1%	23.3%
State of Tennessee shared wireless fee	13.9%	13.9%
TECB operational funding	17.3%	12.1%
Contributions from McMinn County Government	38.9%	35.0%
Grants from State Emergency Communications Board	2.9%	10.8%
Contributions from other local governments and agencies	1.2%	1.6%
Interest income	0.7%	1.7%
Rental income	<u>2.0%</u>	<u>1.6%</u>
Total funding	<u>100.0%</u>	<u>100.0%</u>

Operational costs for the E911 Center were \$869,597 for the fiscal year ended June 30, 2010, which was approximately a 5.6% increase from the prior year. The primary increase in these operating costs was the health insurance costs which were up more than \$13,000 from the prior year.

CAPITAL ASSETS

At the fiscal year ended June 30, 2010, the District had \$1,072,806 in capital assets, a decrease of 10.9% from last year's balance of \$1,203,573. This change is related to the acquisition of equipment at the Athens location of \$5,214 less current year depreciation expense of \$135,981. Additional information concerning the capital assets of the District can be found on page 15 of this report.

DEBT

At the end of the current fiscal year, the District's had debt in relation to a capitalized lease outstanding of \$7,904. Additional information on the District's debt can be found on page 16 of this report.

BUDGETS

In order to prevent budget overruns in certain expense accounts, various line items of the District were amended by Board approval in amounts totaling \$19,200. However, the total original budgeted operating expenses of \$920,268 remained unchanged.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general view of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Executive Director of the McMinn County Emergency Communications District, 1107 S. Congress Parkway, Athens, Tennessee 37303-2403.

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Balance Sheet

June 30, 2010

Assets

Current assets:

Cash	\$ 991,051
Accounts receivable:	37,108
Prepaid software maintenance	2,392
	1,030,551

Capital assets:

Land	99,557
Building and improvements	785,551
Equipment and furnishings	1,029,978
Vehicles	65,814
	1,980,900
Less: allowance for depreciation	908,094
	1,072,806

Other assets:

Prepaid software maintenance - less current portion	2,392
	\$ 2,105,749

Liabilities and Net Assets

Current liabilities:

Accrued vacation pay	\$ 22,760
Due to McMinn County general fund	239
Capitalized lease obligation	7,904
	30,903

Net assets:

Invested in capital assets	1,064,902
Unrestricted net assets	1,009,944
	2,074,846
Total net assets	\$ 2,105,749

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

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Statement of Revenues, Expenses and Changes in Net Assets

For the Year Ended June 30, 2010

Operating revenue:	
Emergency telephone surcharge	\$ 206,206
State Emergency Communications Board - shared wireless charge	124,075
TECB - operational funding	154,449
	484,730
Operating expenses:	
Salaries and wages	416,411
Employee benefits	139,417
Contracted services	104,485
Supplies and materials	38,492
Depreciation	135,981
Other charges	34,811
Total operating expense	869,597
Operating loss	(384,867)
Nonoperating revenue (expense):	
Rent - office space	18,600
Interest income	5,861
Contributions from primary government	347,783
Contributions from other governments and agencies	11,125
TECB - grants and reimbursements	26,000
Interest expense	(1,012)
Total nonoperating revenue (expense)	408,357
Change in net assets	23,490
Total net assets - beginning of year	2,051,356
Total net assets - end of year	\$ 2,074,846

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

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Statement of Cash Flows

For the Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received from customers	\$ 531,249
Cash payments for goods and services	(160,083)
Cash payments for employees	<u>(553,225)</u>
Net cash used by operating activities	<u>(182,059)</u>
Cash flows from noncapital financing activities:	
Contributions from primary government	347,783
Contributions from other governments and agencies	11,125
TECB - grants and reimbursements	<u>26,000</u>
Net cash provided by noncapital financing activities	<u>384,908</u>
Cash flows used by capital and related financing activities:	
Acquisition of equipment	(5,214)
Principal paid on capital lease obligation	(7,414)
Interest paid on capital lease obligation	<u>(1,012)</u>
Net cash used by capital and related financing activities	<u>(13,640)</u>
Cash flows provided by investing activities:	
Interest received	<u>5,861</u>
Net increase in cash	195,070
Cash - beginning of the year	<u>795,981</u>
Cash - end of the year	<u>\$ 991,051</u>

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Statement of Cash Flows (continued)

For the Year Ended June 30, 2010

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ <u>(384,867)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	135,981
Amortization of prepaid software maintenance	2,392
Rent - office space	18,600
Changes in operating assets and liabilities:	
Decrease in accounts receivable	46,519
Decrease in accounts payable	(3,378)
Increase in accrued vacation pay	2,603
Increase in due to McMinn County general fund	<u>91</u>
Total adjustments	<u>202,808</u>
Net cash used by operating activities	\$ <u><u>(182,059)</u></u>

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

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2010

1. Summary of Significant Accounting Policies

(a) Nature of Business

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

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

(b) Basis of Accounting

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

(c) Receivables

The accounts receivable – surcharges balance of \$37,108 primarily represents amounts due from AT&T Mobility and Tellico Telephone Company for the surcharge on McMinn County telephone services for the month of June 2010 and wireless commissions due from the State of Tennessee for May and June of 2010.

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2010

1. Summary of Significant Accounting Policies (continued)

(d) Capital Assets

Capital assets, which consist of property and equipment, are defined as assets with an initial, individual cost of more than \$500 and an estimated life in excess of two years. Such assets are stated at historical cost, less accumulated depreciation computed on the straight-line method over their estimated useful lives as follows: buildings - forty years; equipment, furnishings and vehicles - five to seven years; building improvements - twenty-five years. When assets are retired or otherwise disposed of, the average cost is removed from the asset account and the accumulated depreciation account. Removal cost, less any salvage value, is charged or credited to the accumulated depreciation account. The cost of maintenance and repairs is charged to earnings as incurred.

(e) Compensated Absences

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

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

\$22,760 has been recorded as accrued vacation pay for this reporting period.

(f) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2010

1. Summary of Significant Accounting Policies (continued)

(g) Tax Status

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

2. Budgetary Control

The District's Board approves the annual budget prepared by the E-911 Director based upon anticipated revenues and estimated operating expenses. In accordance with the level of control established by the Tennessee Comptroller of the Treasury, operating expenses may not exceed the amount budgeted in each line item. The District does not budget depreciation, as its intent is to budget the use of anticipated, available resources. It does, however, budget for acquisitions of certain capital assets. Budgeted expenses may be amended, as needed to meet changing needs.

3. Cash

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

Custodial credit risk for the District's deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2010, the Trustee maintains the \$991,051 balance in commingled accounts with other McMinn County funds. As required by state statutes, the Trustee is following the District's policy requiring financial institutions holding its deposits to be members of the Tennessee Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. At June 30, 2010 none of the District's funds held by the Trustee was exposed to credit risk.

3. Revenue

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

McMINN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2010

4. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to minimize its costs, the District insures itself against potential losses associated with these risks through the purchase of commercial insurance. There were no significant reductions in limits of liability or coverage of insurance policies in effect during 2010 from those in effect in 2009 and 2008. In addition, there have been no losses in excess of insurance coverage during the past three fiscal years.

5. Employee Retirement Plan

Plan Description

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

TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as McMinn County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2010

5. Employee Retirement Plan

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

Information for these areas is not specifically available for the District but is included within the aggregated information for McMinn County Government as a whole. Please find this information for McMinn County within its comprehensive annual financial report for the year ended June 30, 2010.

6. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

<u>Cost</u>	Balance July 1, 2009	Additions	Retirements and Transfers	Balance June 30, 2010
Land	\$ 99,557	-	-	99,557
Buildings and improvements	785,551	-	-	785,551
Equipment and furnishings	1,024,764	5,214	-	1,029,978
Vehicles	65,814	-	-	65,814
	<u>\$ 1,975,686</u>	<u>5,214</u>	<u>-</u>	<u>1,980,900</u>
<u>Accumulated Depreciation</u>				
Buildings and improvements	\$ 148,586	24,302	-	172,888
Equipment and furnishings	580,666	106,930	-	687,596
Vehicles	42,861	4,749	-	47,610
	<u>\$ 772,113</u>	<u>135,981</u>	<u>-</u>	<u>908,094</u>

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2010

7. Capital Lease Obligations

The District acquired a 2009 Ford Explorer under a 6.6% long-term lease obligation. For financial reporting purposes, the present value of the minimum lease payments has been capitalized. The agreement is due in 3 annual installments of \$8,426 through April 2011 and the vehicle has a capitalized cost of \$23,744 and with a net book value of \$18,204 at June 30, 2010. The future minimum lease payments under this capital lease at June 30, 2010 is as follows:

<u>Years ended June 30</u>	<u>Amount</u>
2011	\$8,426
Less amount representing interest	<u>522</u>
	<u>\$7,904</u>

Supplementary Data

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget
For the Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Emergency telephone surcharges	\$ 180,000	206,206	26,206
State Emergency Communications			
Board - shared wireless charge	118,000	124,075	6,075
TECB - operational funding	120,000	154,449	34,449
	<u>418,000</u>	<u>484,730</u>	<u>66,730</u>
Operating expenses:			
Salaries and wages:			
Director	59,133	59,133	-
Administrative personnel	50,668	33,300	17,368
Dispatchers	320,667	294,598	26,069
Overtime pay	15,000	7,861	7,139
Part-time personnel	25,000	13,079	11,921
Vacation and holiday pay	31,000	8,440	22,560
	<u>501,468</u>	<u>416,411</u>	<u>85,057</u>
Employee benefits:			
Social security and medicare	33,000	30,772	2,228
Life insurance	1,500	1,050	450
Medical insurance	82,500	77,495	5,005
Unemployment compensation	3,300	3,138	162
Retirement contributions	28,000	26,962	1,038
	<u>148,300</u>	<u>139,417</u>	<u>8,883</u>
Contracted services:			
Addressing/mapping	5,000	1,601	3,399
Advertising	3,000	2,619	381
Audit services	5,000	5,000	-
Fees paid to service providers	50,000	40,699	9,301
Janitorial services	6,000	5,280	720
Legal services	1,500	1,375	125
Maintenance agreements	25,000	22,019	2,981
NCIC/TBI/TIES	10,000	9,040	960
Pest control	500	300	200
Lease/rental:			
Office equipment	1,800	851	949

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget (continued)
For the Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Contracted services (continued):	\$		
Maintenance and repairs:			
Communications equipment	3,000	2,719	281
Facilities	10,000	9,725	275
Office equipment	1,000	110	890
Vehicles	12,500	9,692	2,808
Fuel	3,500	1,881	1,619
	<u>137,800</u>	<u>112,911</u>	<u>24,907</u>
Supplies and materials:			
Office	4,000	3,429	571
Custodial	1,500	998	502
Data processing	500	243	257
Postage	500	323	177
Small equipment purchases	15,000	9,222	5,778
Uniforms	3,000	1,054	1,946
Utilities:			
Electric	17,000	16,315	685
Gas	2,000	1,602	398
Water	750	711	39
General telephone	7,200	6,860	340
Cellular phone	1,900	1,870	30
	<u>53,350</u>	<u>42,627</u>	<u>10,723</u>
Other charges:			
Bank charges	10,000	8,733	1,267
Board meetings	1,800	1,241	559
Dues and memberships	1,000	629	371
Employee testing	500	-	500
Insurance:			
Workers' compensation	1,500	996	504
Liability	13,000	11,014	1,986
Legal notices	250	230	20
Training	8,000	6,249	1,751
Travel	5,000	4,746	254
Other	38,300	2,052	36,248
	<u>79,350</u>	<u>35,890</u>	<u>43,460</u>
Total operating expenses	<u>920,268</u>	<u>747,256</u>	<u>173,030</u>
Excess of operating expenses over operating revenues	<u>(502,268)</u>	<u>(262,526)</u>	<u>239,760</u>

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget (continued)
For the Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Nonoperating revenues:			
Rent - office space	\$ 18,600	18,600	-
Interest	-	5,861	5,861
Contributions from primary government	347,783	347,783	-
Contributions from other governments and agencies	20,130	11,125	
TECB - grants and reimbursements	-	26,000	26,000
Total nonoperating revenues	386,513	409,369	31,861
Excess of revenues over (under) expenditures	\$ (115,755)	146,843	271,621
Adjustments to agree with financial statement - "Statement of Revenue, Expenses and Changes in Net Assets":			
Expenses unbudgeted:			
Depreciation		(135,981)	
Capitalized lease and equipment payments		12,628	
Change in net assets		\$ 23,490	

McMINN COUNTY EMERGENCY

Schedule of Insurance in Force

June 30, 2010

<u>Description</u>	<u>Coverage</u>
Property:	
Risks of Direct Physical Loss Subject to Normal Conditions and Exclusions:	
Business personal property - \$250 property deductible; \$1,000 earthquake and flood deductible:	
Real property - Athens, TN	\$ 616,545 limit
Real property - Etowah, TN (Guaranteed replacement cost)	289,070 limit
Personal property - Athens, TN	520,000 limit
Personal property - Etowah, TN (Replacement cost)	312,000 limit
Software	250,000 limit
Money and securities	10,000 limit
Extra expense	12 months actual loss sustained
Loss of income	12 months actual loss sustained
Automobile Liability:	
Liability - any auto	1,000,000
Uninsured motorists	300,000
Medical payments	5,000
Comprehensive/collision (primary basis)	50,000 limit per loss
General Liability:	
General Aggregate Limit	2,000,000
Products/Completed Operations Aggregate Limit	2,000,000
Personal and Advertising Injury Each Occurrence Limit	1,000,000
Each Occurrence or Medical Incident Limit	1,000,000
Medical Expense Limit (Any One Person)	5,000
Management Liability:	
Each Claim Limit (injunctive relief) (each wrongful act)	25,000 1,000,000
Annual Aggregate Limit	2,000,000

**McMinn County Emergency
Communications District**

Schedule of Information Required by the
Tennessee Emergency Communications Board
June 30, 2010

1. Number of public safety answering points (PSAP): One (1)
2. Address of each PSAP: McMinn County Emergency Communications District
1107 S. Congress Parkway
Athens, Tennessee 37303-2403
3. Type of system /equipment and database used: Zetron/AT&T database
4. Name, address, telephone number, and fax number of Executive Director:

Marvin Kelley
McMinn County Emergency Communications District
1107 S. Congress Parkway
Athens, Tennessee 37303-2403
(423) 745-7698 (423) 744-1607 (fax)
5. Name, address, telephone number, and fax number of the Chairman of the Board:

Mike Jones
McMinn County Emergency Communications District
1107 S. Congress Parkway
Athens, Tennessee 37303-2403
(423) 745-7698 (423) 744-1607 (fax)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Roster of Officials

June 30, 2010

Board of Directors

Mike Jones - Chairman

Joe Riley - Vice Chairman

Wayne Scarbrough - Secretary

Russ Duggan - Treasurer

Scott Curtis

Mark Lowry

Harold Masengil

Chris Webb

Management

Marvin Kelley - E911 Director

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Expenditures of State Awards
For the Year Ended June 30, 2010

<u>Grantor Agency</u>	<u>Program Name</u>	<u>CFDA #</u>	<u>Receivable June 30, 2009</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Receivable June 30, 2010</u>
<u>State Assistance Programs</u>						
Tennessee Emergency						
Communications District	GIS Maintenance Grant					
	(Z-08-211962-00)	N/A	\$ <u> -</u>	<u> 10,000</u>	<u> 10,000</u>	<u> -</u>



**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

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

We have audited the financial statements of the McMinn County Emergency Communications District (the "District"), a component unit of McMinn County, Tennessee, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 10, 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.

Internal Control Over Financial Reporting

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

A 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 or 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 the 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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*.

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

P.O. Box 50846, Knoxville, TN 37950-0846 • Telephone (865) 691-8000 • FAX (865) 691-3064 • 6504 Deane Hill Drive, Knoxville, TN 37919 (continued)



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

HGA Associates, P.C.

November 10, 2010

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Disposition of Prior Year Finding
Year Ended June 30, 2010

(09-01) Finding: Budget vs Actual Expenses

The District had an operating expense line item where actual expenditures exceeded the approved budgeted amount by \$5,269. The *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* Section II page 6 states that the budgets for Emergency Communications Districts are to be set at the line-item level. In order to comply with the manual we recommended the District's Executive Director present the necessary budget amendments to the District's Board of Directors for approval in order to comply with this requirement.

Status

In this audit presentation this finding has been corrected.