

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911**

Mountain City, Tennessee

FINANCIAL STATEMENTS

For the Twelve Month Period Ended

June 30, 2010

(Independent Auditors' Report Thereon)

JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911

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JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

December 10, 2010

To the Johnson County E 911 Board Members

This report consists of management's representations concerning the finances of the Johnson County Emergency Communications District 911. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Organization has established a comprehensive internal control framework that is designed both to protect the Organization's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Organization's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Organization's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Organization's financial statements have been audited by Eddy & Eddy, CPA's, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Organization for the fiscal year ended June 30, 2010 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Organization's financial statements for the fiscal year ended June 30, 2010 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Organization's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Organization was created under the authority of Title 7, Chapter 86, Tennessee Code Annotated. The Organization is dedicated to providing emergency communications for the purposes of enhancing "911" and selective routing services.

The Organization operates under the board-director form of government. The board is responsible, among other things, for adopting the budget, and for carrying out the policies of the board, and for overseeing the day-to-day operations of the Organization.

Respectfully submitted,

A handwritten signature in cursive script that reads "Eugene Conphill". The signature is written in black ink and is positioned above a solid horizontal line.

Director

JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911

BOARD MEMBERS

As of June 30, 2010

Chairman	Randy Stewart
Vice Chair	Janet Wilson
Secretary	Willie DeBord
Other Board Members	Bob Graybeal Jack Greer Gene Hackney Bob Morrison Tom Taylor Jason Blevins

MANAGEMENT OFFICIALS

As of June 30, 2010

Director	Eugene Campbell
Assistant Director	Michelle Arney

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Johnson County Emergency Communications District 911's annual financial report presents our discussion and analysis of the Organization's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the Organization's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Organization's total net assets increased by \$55,820 during the fiscal year. However, the invested in capital assets decreased by \$31,101.
- During the year, the Organization's expenses were \$55,820 less than the \$462,506 generated in revenues. Last fiscal year revenues exceeded expenses by \$39,920.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information and supplementary information.

The basic financial statements of the Organization are proprietary fund statements. Proprietary fund statements offer short- and long-term financial information about activities that operate like a business.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 summarizes the major features of the Organization's financial statements, including the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Figure A-1
Major Features of the Organization's Fund Financial Statements

	Fund Statements
	Proprietary Funds
Scope	Activities the Organization operates similar to private businesses
Required financial statements	Statement of net assets Statement of revenues, expenses, and changes in net assets Statement of cash flows Budgetary comparison schedule Schedule of information
Accounting basis and measurement focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid

Fund Financial Statements

The fund financial statements provide detailed information about the Organization.

- Proprietary funds-Services for which the Organization charges customers a fee are generally reported in proprietary funds. Proprietary funds provide both long- and short-term financial information.

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

Net assets. The Organization's combined net assets increased \$55,820 between fiscal years 2009 and 2010 with an ending balance of \$849,053. (See Table A-1.) In comparison, last year net assets increased \$39,920.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Table A-1
Johnson County Emergency Communications District 911 Net Assets

	2009	2010	<u>Total Percentage Change</u>
Current and other assets	\$589,745	\$678,289	15.0%
Capital assets	211,363	180,262	-14.7%
Total assets	801,108	858,551	7.2%
Long-term debt outstanding	-	-	
Other liabilities	7,875	9,498	20.6%
Total liabilities	7,875	9,498	20.6%
Net assets			
Invested in capital assets	211,363	180,262	-14.7%
Unrestricted	581,870	668,791	14.9%
Total net assets	\$ 793,233	\$ 849,053	7.0%

Net assets of the Organization increased almost 7 percent to \$849,053. However, some of those net assets are invested in capital assets (buildings, equipment, office equipment, and so on). Consequently, unrestricted net assets showed a \$86,921 increase at the end of this year while net assets invested in capital assets decreased \$31,101.

Changes in net assets. The Organization's total revenues increased by more than 4 percent to \$462,506. (See Table A-2.) More than two percent of the Organization's revenue is from governmental grants and reimbursements. Almost 41 percent of the Organization's revenue comes from E-911 charges and shared wireless surcharges. Contributions from other governments represented almost 24 percent of the Organization's revenue. The remainder comes from investment income, alarm monitoring, and other operating and nonoperating revenue.

The total cost of all services increased approximately \$4,425, or about 1 percent. This increase resulted from increased costs in operational expenses (One Call Now Service), professional fees, and health, life, and dental insurance. The Organization's expenses cover a range of services with about 57 percent related to director/dispatcher expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Table A-2
Changes in Organization's Net Assets

	2009	2010	Total percentage change 2009-2010
Revenues			
Emergency Telephone Service	\$175,010	\$161,938	-7.5%
TECB - Operational Funding	86,169	139,144	61.5%
State EMS - Shared Charges	38,006	27,566	-27.5%
Alarm Monitoring	-	-	-
Other Operating Revenues	2,036	1,800	-11.6%
Governmental Grants and Reimbursements	14,021	10,623	-24.2%
Contributions from Other Governments	111,000	111,000	0.0%
Gain (Loss) on Disposal of Assets	950	-	-
Miscellaneous Income	113	472	317.7%
Interest Income	10,372	9,963	-3.9%
Insurance Reimbursements	4,504	-	-
Total revenues	<u>442,181</u>	<u>462,506</u>	4.6%
Expenses			
Director/Dispatcher	229,283	230,641	0.6%
Health, Life, Dental Insurance	24,972	27,974	12.0%
Retirement	17,460	17,658	1.1%
Data Processing Services	-	-	-
Advertising	800	800	0.0%
Insurance	7,139	6,185	-13.4%
Office Expense	2,176	2,414	10.9%
Dues & Subscriptions	593	650	9.6%
Professional Fees	6,745	10,050	49.0%
Communications	31,104	31,838	2.4%
Repairs & Maintenance	28,339	20,125	-29.0%
Training	1,599	1,594	-0.3%
Travel	4,243	795	-81.3%
Vehicle Expense	2,216	1,334	-39.8%
Depreciation	39,950	40,584	1.6%
Bad Debts	-	-	-
Other	5,642	14,044	148.9%
Total Expenses	<u>402,261</u>	<u>406,686</u>	1.1%
Increase (Decrease) in Net Assets	<u>\$ 39,920</u>	<u>\$ 55,820</u>	39.8%

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2010 the Organization had invested \$180,262 in capital assets, including land, equipment, and building. This amount represents a net decrease (including additions and deductions) of \$31,101 or about 15 percent over last year.

Long-term Debt

During the fiscal year ended June 30, 2010, the Organization had no long-term debt.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Organization's finances and to demonstrate the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Johnson County Emergency Communications District 911, 999 Honeysuckle Street, Mountain City, TN 37683.



Eddy & Eddy

CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

Member of
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Johnson County Emergency Communications District 911
Mountain City, Tennessee

We have audited the accompanying statement of net assets of the Johnson County Emergency Communications District 911, a component unit of Johnson County, Tennessee, and the related statements of revenues, expenses, and changes in net assets, and cash flows as of and for the year ended June 30, 2010, which collectively comprise the Organization's financial statements as listed in the table of contents. These financial statements are the responsibility of Johnson County Emergency Communications District 911'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 the 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 Johnson County Emergency Communications District 911, as of June 30, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, on our consideration of the Johnson County Emergency Communications District 911's internal control over financial reporting and on 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress – employee retirement system on pages 4 through 8 and 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken as a whole. The introductory section, schedule of information, and budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory section, schedule of information, and budgetary comparison schedule have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Eddy & Eddy". The signature is written in a cursive, flowing style.

Eddy & Eddy, CPAs, P.C.

Johnson City, Tennessee

December 10, 2010

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Statement of Net Assets
June 30, 2010**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	466,712
Accounts Receivable, net		12,613
Investments		198,964
Total Current Assets		<u>678,289</u>

Noncurrent Assets:

Capital Assets:

Land	4,767
Building	70,822
Furniture and Fixtures	5,590
Office Equipment	17,374
Communications Equipment	269,081
Vehicles	22,366
Less Accumulated Depreciation	<u>(209,738)</u>
Total Noncurrent Assets	<u>180,262</u>

Total Assets	<u>858,551</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	2,193
Accrued Payroll	5,470
Accrued Payroll Taxes	536
Accrued Compensated Absences - Current Portion	<u>1,299</u>
Total Current Liabilities	<u>9,498</u>

Noncurrent Liabilities:

Total Liabilities	<u>9,498</u>
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NET ASSETS

Invested in Capital Assets	180,262
Unrestricted	<u>668,791</u>
Total Net Assets	<u>\$ 849,053</u>

See accompanying notes to financial statements.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Statement of Revenues,
Expenses and Changes in Net Assets
For the Year Ended June 30, 2010**

OPERATING REVENUES	
Emergency Telephone Service	\$ 161,938
TECB - Operational Funding	139,144
State EMS - Shared Charges	27,566
Other Operating Revenues	<u>1,800</u>
 Total Operating Revenues	 <u>330,448</u>
 OPERATING EXPENSES	
Executive Director Salary	27,274
Dispatchers	184,107
Bonuses	2,463
Social Security	16,486
Life Insurance	401
Medical Insurance	27,573
Unemployment Compensation (Taxes)	311
Retirement Contributions (TCRS)	10,108
ING Retirement	7,550
Advertising	800
Audit Services	6,600
Accounting Services	3,450
Telephone PSAP	24,279
Maintenance Agreements	16,905
Maintenance & Repairs-Communication Equipment	2,220
Maintenance & Repairs-Office Equipment	1,000
Maintenance & Repairs-Vehicles	1,334
Office Supplies	2,134
Custodial Supplies	80
Postage	200
Utilities-General Telephone	7,559
Dues and Memberships	650
Insurance-Workers Compensation	1,116
Insurance-Liability	4,475
Insurance-Vehicles	594
Licenses and Fees	293
Premiums on Surety Bonds	560
Public Education	500
Training Expenses	1,594
Travel Expenses	795
Other Operational Expense	12,691
Depreciation	<u>40,584</u>
 Total Operating Expenses	 <u>406,686</u>
 Operating Income (Loss)	 <u>(76,238)</u>

See accompanying notes to financial statements.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Statement of Revenues,
Expenses and Changes in Net Assets
For the Year Ended June 30, 2010**

NON-OPERATING REVENUES

Government Grants and Reimbursements Income	10,623
Miscellaneous Income	472
Contributions from Other Governments	111,000
Interest Income	<u>9,963</u>
 Total Non-Operating Revenues	 <u>132,058</u>
 Change in Net Assets	 55,820
 Net Assets - Beginning of the Year	 <u>793,233</u>
 Net Assets - End of the Year	 <u>\$ 849,053</u>

See accompanying notes to financial statements.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 332,646
Cash payments to employees for services	(214,390)
Cash payments to suppliers for goods and services	<u>(150,089)</u>
Net cash provided (used) by operating activities	<u>(31,833)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Grants and reimbursements received	34,200
Contributions from other governments	<u>111,000</u>
Net cash provided (used) by noncapital financing activities	<u>145,200</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	<u>(9,483)</u>
Net cash provided (used) for capital and related financing activities	<u>(9,483)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and dividends on investments	9,963
Interest and dividends reinvested	(3,287)
Purchase of certificates of deposit	<u>(100,000)</u>
Net cash provided (used) by investing activities	<u>(93,324)</u>

Net increase (decrease) in cash and cash equivalents 10,560

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD 456,152

CASH AND CASH EQUIVALENTS AT END OF PERIOD \$ 466,712

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities

Operating Income (Loss)	\$ (76,238)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	40,584
Miscellaneous Income	472
Change in assets and liabilities:	
Decrease in accounts receivable	1,727
Decrease in accounts payable	2,193
Increase in accrued payroll taxes	(25)
Increase in accrued payroll and compensated absences	<u>(546)</u>
Net cash provided (used) by operating activities	<u>\$ (31,833)</u>

See accompanying notes to financial statements.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The proprietary fund's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Organization's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Organization's reporting entity does not apply FASB pronouncements or APB opinions after November 30, 1989.

Nature of Activities

The Johnson County Emergency Communications District 911 is an agency dedicated to providing emergency communications for the purposes of enhancing "911" and selective routing services.

Basis of Accounting

The financial statements of the Organization are reported using the accrual basis of accounting. In the accrual basis of accounting, revenues are generally recognized when earned and expenses recognized when incurred.

Financial Statement Presentation

The operations of the Organization are accounted for in a proprietary fund. Proprietary funds are reported using a flow of economic resources measurement focus and the accrual basis of accounting. This is the same measurement focus and basis of accounting used by private business enterprises.

Budgetary Control

The Communications District establishes the fiscal year as the twelve-month period beginning July 1. Upon receipt of the budget prepared by the budget committee, the Board of Directors holds a first reading on the budget. Information about the budget is considered public record. The second reading is scheduled three to four weeks after the first reading is approved. The budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures should not exceed the amount budgeted. Revisions can be made throughout the year with the Board's approval.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments with an initial maturity of three months or less, cash on hand, and all cash accounts which are not subject to withdrawal restrictions or penalties.

Property and Equipment

Property and equipment are stated at cost, or in the case of contributed assets, at their fair value at the time of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The Organization's capitalization policy is to capitalize office and communication equipment costing \$1,000 or more and to capitalize any amount for vehicles, building, or land.

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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Advertising

The Organization expenses advertising costs as incurred. Total advertising expense for the year ended June 30, 2010 amounted to \$800.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment are carried at cost, or in the case of contributed assets, at their fair market value at the time of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Buildings are depreciated over forty (40) years; vehicles, furniture and equipment are depreciated between five (5) to ten (10) years. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation expense at June 30, 2010 amounted to \$40,584.

**JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2. PROPERTY AND EQUIPMENT (Continued)

Property and equipment are composed of the following:

	Capital Assets, Not Depreciated		Capital Assets, Depreciated				Totals
	<u>Land</u>	<u>Building</u>	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Communi- cations Equipment</u>	<u>Vehicles</u>	
Balance June 30, 2009	\$ 4,767	\$70,822	\$ 5,590	\$ 16,353	\$ 293,721	\$ 22,366	\$ 413,619
Increases	-	-	-	1,021	8,462	-	9,483
Decreases	-	-	-	-	(33,102)	-	(33,102)
Balance June 30, 2010	<u>\$ 4,767</u>	<u>\$70,822</u>	<u>\$ 5,590</u>	<u>\$ 17,374</u>	<u>\$ 269,081</u>	<u>\$ 22,366</u>	<u>\$ 390,000</u>
Accumulated Depreciation:							
Balance June 30, 2009	\$ -	\$25,762	\$ 3,616	\$ 7,840	\$ 156,722	\$ 8,316	\$ 202,256
Increases	-	2,391	473	1,647	30,986	5,087	40,584
Decreases	-	-	-	-	(33,102)	-	(33,102)
Balance June 30, 2010	<u>\$ -</u>	<u>\$28,153</u>	<u>\$ 4,089</u>	<u>\$ 9,487</u>	<u>\$ 154,606</u>	<u>\$ 13,403</u>	<u>\$ 209,738</u>
Capital Assets, Net	<u>\$ 4,767</u>	<u>\$42,669</u>	<u>\$ 1,501</u>	<u>\$ 7,887</u>	<u>\$ 114,475</u>	<u>\$ 8,963</u>	<u>\$ 180,262</u>

NOTE 3. ACCOUNTS RECEIVABLE

The Organization's accounts receivable at June 30, 2010 is comprised of \$12,613 from E 911 surcharges.

NOTE 4. COMPONENT UNITS

Johnson County Emergency Communications District 911 is a component unit of Johnson County, Tennessee. Johnson County, Tennessee is the primary government and exercises influence. Positions on the board of the Johnson County Emergency Communications District 911 are appointed by the primary government. The primary government controls the borrowing power of the Johnson County Emergency Communications District 911 and sets the rate for the E-911 surcharge income.

NOTE 5. RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2010 consist of the following:

Balance at June 30:	2010
Cash - Checking	\$ 269,437
Cash - Savings	<u>197,275</u>
Cash and Cash Equivalents	<u>\$ 466,712</u>

The Organization maintains deposit accounts at commercial banks in Mountain City, Tennessee. The Board has adopted the State of Tennessee's investment policy.

Various restrictions on deposits are imposed by state statutes. All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Organization.

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. The Organization does not have a policy related to such risk. At June 30, 2010, the carrying amount of the Organization's deposits was \$665,676, and the bank balance was \$668,847. As of June 30, 2010, \$67,387 of the bank balance of \$665,676 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 67,387</u>
Total	<u>\$ 67,387</u>

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 7. INVESTMENTS

Investments as of June 30, 2010 consist of the following:

	Cost 2010	Fair Value 2010	Carrying Value 2010
Balance at June 30:			
Certificates of Deposit	\$ 198,964	\$ 198,964	\$ 198,964
Investments	<u>\$ 198,964</u>	<u>\$ 198,964</u>	<u>\$ 198,964</u>

State statutes authorize the Organization to invest in treasury bonds, notes or bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies; obligations of the United States or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the State of Tennessee Local Government Investment Pool; obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority. The Organization has adopted the State of Tennessee's investment policy regarding authorized investments.

NOTE 8. OPERATING/NONOPERATING DISTINCTION

The Organization distinguishes operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with the Organization's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

NOTE 9. ING RETIREMENT PLAN

The Organization has a 457(b) deferred compensation plan. The Organization matches participating employee contributions in a four to one ratio. The Organization's matching amount at June 30, 2010 amounted to \$7,550, as reflected on the statement of revenues, expenses, and changes in net assets.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10. TCRS RETIREMENT PLAN

Plan Description

Employees of Johnson County 911 ECD 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 Johnson County 911 ECD 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, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

Johnson County 911 ECD requires employees to contribute 5.0 percent of earnable compensation.

Johnson County 911 ECD is required to contribute at an actuarially determined rate; the rate for fiscal year ending June 30, 2010 was 6.01% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Johnson County 911 ECD is established and may be amended by the TCRS Board of Trustees.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 10. TCRS RETIREMENT PLAN (Continued)

Annual Pension Cost

For the year ending June 30, 2010, Johnson County 911 ECD's annual pension cost of \$10,143 to TCRS was equal to Johnson County 911 ECD'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. Johnson County 911 ECD'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 15 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$10,143	100.00%	\$0.00
June 30, 2009	\$ 9,740	100.00%	\$0.00
June 30, 2008	\$ 9,578	100.00%	\$0.00

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 66.54% percent funded. The actuarial accrued liability for benefits was \$0.12 million, and the actuarial value of assets was \$0.08 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.04 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.10 million, and the ratio of the UAAL to the covered payroll was 43.01% percent.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 10. TCRS RETIREMENT PLAN (Continued)

The schedules of 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. 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 Plan 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, 2009	\$81	\$122	\$41	66.54%	\$95	43.01%
July 1, 2007	\$55	\$ 82	\$27	67.07%	\$113	23.89%

NOTE 11. LEASES

On November 26, 2003, the Organization entered into a 15-year lease, renewable for an additional 15 years, with Johnson County, Tennessee, for a room in the Johnson County Jail facility. Annual rent of \$1 is due each December 1, beginning December 1, 2003.

On November 18, 2004, the Organization leased its property located at 158 Nine One One Avenue, Mountain City, Tennessee, to Johnson County for 15 years beginning December 1, 2004, with options to renew for annual terms. Annual rent of \$1 is due each December 1, beginning December 1, 2004.

NOTE 12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 10, 2010, which is the date the financial statements were available to be issued.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
Schedule of Funding Progress - Employee Retirement System

Johnson County Emergency Communications District 911 Employees' Pension Plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2009	\$ 81	\$ 122	\$ 41	66.54%	\$ 95	43.01%
July 1, 2007	\$ 55	\$ 82	\$ 27	67.07%	\$ 113	23.89%

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 went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

See independent auditors' report.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2010**

Unaudited

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$ 38,629	\$ 381,029	\$ 381,029	\$ -
Resources (Inflows):				
OPERATING REVENUES:				
Emergency Telephone Service	183,000	183,000	161,938	(21,062)
TECB - Operational Funding	-	-	139,144	139,144
State EMS - Shared Charges	37,000	37,000	27,566	(9,434)
Other Operating Revenues	<u>27,177</u>	<u>27,177</u>	<u>1,800</u>	<u>(25,377)</u>
Total Operating Revenues	<u>247,177</u>	<u>247,177</u>	<u>330,448</u>	<u>83,271</u>
NON-OPERATING REVENUES:				
Grant Income	-	-	10,623	10,623
Contributions from Other Governments	111,000	111,000	111,000	-
Interest Income	9,600	9,600	9,963	363
Insurance Reimbursement	-	-	-	-
Miscellaneous Income	<u>-</u>	<u>-</u>	<u>472</u>	<u>472</u>
Total Non-Operating Revenues	<u>120,600</u>	<u>120,600</u>	<u>132,058</u>	<u>11,458</u>
Amounts available for appropriation	<u>406,406</u>	<u>748,806</u>	<u>843,535</u>	<u>94,729</u>
Charges to Appropriations (Outflows):				
OPERATING EXPENSES:				
Executive Director Salary	\$ 28,092	\$ 28,092	\$ 27,274	\$ 818
Dispatchers	182,825	184,653	184,107	546
Bonuses	-	-	2,463	(2,463)
Social Security	15,900	15,900	16,486	(586)
Medicare	3,975	3,975	-	3,975
Life Insurance	500	500	401	99
Medical Insurance	32,797	32,797	27,573	5,224
Unemployment Compensation (Taxes)	650	650	311	339
Retirement Contributions (TCRS)	9,600	10,108	10,108	-
ING Retirement	7,540	7,540	7,550	(10)
Advertising	800	800	800	-
Audit Services	6,200	6,600	6,600	-
Accounting Services	2,200	2,550	3,450	(900)
Telephone PSAP	26,500	23,814	24,279	(465)
Legal Services	500	500	-	500
Maintenance Agreements	25,000	25,000	16,905	8,095

See accompanying notes to financial statements.

**JOHNSON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT 911
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2010**

Unaudited

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Maintenance & Repairs-Communication Equipment	2,500	2,500	2,220	280
Maintenance & Repairs-Office Equipment	1,000	1,000	1,000	-
Maintenance & Repairs-Vehicles	2,000	2,000	1,334	666
Office Supplies	2,000	2,000	2,134	(134)
Custodial Supplies	100	100	80	20
Postage	200	200	200	-
Utilities-General Telephone	8,000	8,000	7,559	441
Cell Phones and Pagers	100	100	-	100
Dues and Memberships	650	650	650	-
Insurance-Workers Compensation	1,950	1,950	1,116	834
Insurance-Liability	4,900	4,500	4,475	25
Insurance-Vehicles	600	600	594	6
Licenses and Fees	375	375	293	82
Premiums on Surety Bonds	560	560	560	-
Public Education	500	500	500	-
Training Expenses	2,000	2,000	1,594	406
Travel Expenses	3,500	3,500	795	2,705
Other Operational Expense	13,162	13,162	12,691	471
Total Operating Expenses	<u>387,176</u>	<u>387,176</u>	<u>366,102</u>	<u>21,074</u>
Total Charges to Appropriations	<u>387,176</u>	<u>387,176</u>	<u>366,102</u>	<u>21,074</u>
Ending Budgetary Fund Balance	<u>\$ 19,230</u>	<u>\$ 361,630</u>	<u>\$ 477,433</u>	<u>\$ 115,803</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" \$ 843,535

Differences - budget to GAAP:

The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes. (381,029)

Total revenues as reported on the statement of revenues, expenses and changes in net assets \$ 462,506

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" \$ 366,102

Differences - budget to GAAP:

Depreciation is not a budgetary outflow of resources but is a current-year expense for financial reporting purposes. 40,584

Total expenses as reported on the statement of revenues, expenses and changes in net assets \$ 406,686

See accompanying notes to financial statements.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

Schedule of Information
For the Year Ending June 30, 2010

Unaudited

- 1) The number of public safety answering points (PSAP) is one.
- 2) The address of each PSAP is 999 Honeysuckle Street, Mountain City, TN 37683.
- 3) The type of system/equipment and database used by each PSAP is as follows:

Phone System – Century Link	Database – Microsoft Works
Radio Equipment – Zetron	Mapping System – GeoConex
CAD System – GeoConex	Logging Recorder – NICE/Replay
- 4) The name, address, telephone number, and fax number of the director of the emergency communications district:

Mr. Eugene Campbell, Director
Johnson County Emergency Communications District
999 Honeysuckle Street
Mountain City, TN 37683
(423) 727-7669 Phone
(423) 291-9075 Cell
(423) 727-4830 Fax

- 5) The name, address, and telephone numbers of the chairman of the emergency communications district:

Mr. Randy Stewart
235 Dent Johnson Road
Mountain City, TN 37683
(423) 727-1800 Work Phone
(423) 727-5879 Home Phone



Eddy & Eddy

CERTIFIED PUBLIC ACCOUNTANTS

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TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

Member of
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC 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**

To the Board of Directors
Johnson County Emergency Communications District 911
Mountain City, Tennessee

We have audited the financial statements of the Johnson County Emergency Communications District 911, a component unit of Johnson County, Tennessee, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 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 Johnson County Emergency Communications District 911'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 Johnson County Emergency Communications District 911's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Johnson County Emergency Communications District 911'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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency in internal control over financial reporting: Finding 2010-01. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

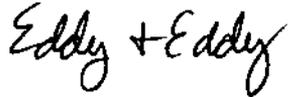
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Johnson County Emergency Communications District 911'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*.

We noted certain matters that we reported to management of the Johnson County Emergency Communications District 911 in a separate letter dated December 10, 2010.

The Johnson County Emergency Communications District 911's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Johnson County Emergency Communications District 911's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eddy + Eddy". The script is cursive and fluid, with the plus sign integrated into the middle of the two names.

Eddy & Eddy, CPAs, P. C.

Johnson City, Tennessee

December 10, 2010

SCHEDULE OF FINDING AND RESPONSE

Finding 2010-01: (Repeated from the prior year)

Criteria: Because of the small office staff, Board oversight of financial transactions is essential. Board oversight is not mitigated by the use of an outside bookkeeping firm.

Condition: As in the prior year, a lack of segregation of duties exists not mitigated by effective Board oversight. Only two bank statements reflected Board oversight (signed but not dated). None of this fiscal year's Forms 941 or Tennessee unemployment tax returns reflected Board oversight. Fifty eight out of sixty (97%) of cash disbursements test selections did not reflect Board review.

Effect: A lack of segregation of duties not mitigated by effective Board oversight increases fraud opportunities.

Cause: Board oversight was either not documented or not performed.

Recommendation: We recommend the Board member assigned oversight responsibilities document his/her review of financial transactions by initialing/signing and dating documents reviewed. Bank statements should be received and reviewed by this individual before the person preparing bank reconciliations receives them. Once the bank reconciliations are prepared, the Board member assigned oversight responsibilities should also review the bank reconciliations. Payroll tax returns should be reviewed each quarter. Journal entries prepared by staff and the Organization's bookkeeping firm should also be reviewed. Invoices should be reviewed. The budget spreadsheet detailing Board budget actions should also be reviewed to ensure the work paper agrees to Board actions approved in the Board minutes.

Views of Responsible Officials:

The board of directors will appoint a member to review, date and sign each financial statements.