

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee

FINANCIAL STATEMENTS

June 30, 2010

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**

Maryville, Tennessee

June 30, 2010

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**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee

INTRODUCTORY SECTION

June 30, 2010



**Emergency Communications District  
Of Blount County, TN  
P. O. Box 4609  
Maryville, Tennessee 37802-4609**

September 20, 2010

To the County Mayor,  
Members of the Board of Commissioners,  
and Citizens of Blount County, Tennessee

Annual Financial Report

The annual financial report of the Emergency Communications District of Blount County, Tennessee (a component unit of Blount County, Tennessee) (the "District") for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The annual financial report is presented in three sections: introductory, financial and supplemental. The introductory section includes this transmittal letter and list of official management and board members. The financial section includes, as required by Governmental Accounting Standards Board Statement No. 34, the report of the independent auditors, the management discussion and analysis, the basic financial statements. Supplemental information is included in section three.

The District was established by a resolution of the Blount County Board of Commissioners in April 1986, and subsequently approved by the voters of Blount County, pursuant to the provisions of Tennessee Public Acts of 1984, Chapter 867. The District began operations in March 1987. The District is governed by nine (9) directors appointed by the Blount County Board of Commissioners. The District's Board employs directors and staff to conduct the daily business of the organization.

The purpose of the District is the operations of the number 911 as a single emergency telephone number through which emergency service can be quickly and efficiently obtained. The 911 system is intended to provide a simplified means of securing emergency services which will result in saving of life, a reduction in the destruction of property, quicker apprehension of criminals, and ultimately the saving of money.

Risk Management

The District acquires commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, workers compensation and health insurance. All full-time employees are provided with traditional health care insurance that covers hospitalization and major medical expenses within specified limits.

Employees are also provided life insurance and disability insurance. In addition, employees contribute to the Tennessee Consolidated Retirement System, with a matching share being contributed by the employer.

#### Cash Management

At the end of the fiscal year, June 30, 2010, the District has \$826,788 in bank accounts: checking, savings, and certificates of deposit. The District sets aside excess revenues of each monthly revenue received for future capital asset acquisitions.

#### Independent Audit

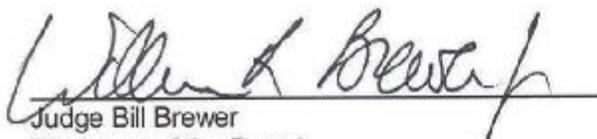
The financial statements of the District for the fiscal year ended June 30, 2010 have been audited by a firm of Independent Public Accountants, and their opinion is included in the Financial Section of this report.

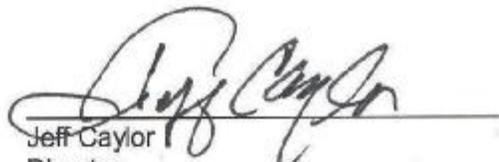
The financial statements are the responsibility of the District. The responsibility of the Independent Public Accountants is to express an opinion on the District's financial statements based on their audit. An audit is conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that the audit be planned and performed in a manner to obtain a reasonable assurance as to whether the financial statements are free of material misstatement.

#### Acknowledgements

The employees of the District are its most valuable asset. These individuals serve productively in the operations 24 hours a day, three hundred sixty-five days a year. They continuously provide quality services to the citizens of Blount County. It is to these committed individuals that this document is dedicated.

Respectively submitted,

  
\_\_\_\_\_  
Judge Bill Brewer  
Chairman of the Board

  
\_\_\_\_\_  
Jeff Caylor  
Director

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee

FINANCIAL SECTION

June 30, 2010



Joe S. Ingram, CPA  
Lonas D. Overholt, CPA  
Robert L. Bean, CPA

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865-984-1040  
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September 20, 2010

### INDEPENDENT AUDITORS' REPORT

Board of Directors  
Emergency Communications District  
of Blount County, Tennessee  
Maryville, Tennessee

We have audited the accompanying financial statements of the business-type activities of the Emergency Communications District of Blount County, Tennessee, a component unit of Blount County, Tennessee, as of and for the years ended June 30, 2010 and 2009, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits provide 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 business-type activities of the District as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the fiscal years 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 a report dated September 20, 2010, on our consideration of the District's internal control over financial reporting and on 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.

The Management's Discussion and Analysis on pages 6 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental

Accounting Standards Board. 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 performed for the purpose of forming an opinion on the basic financial statements of the District, a component unit of Blount County, Tennessee, taken as a whole. The accompanying financial information listed in the supplemental section on pages 23 through 29 in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements of the 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.

*Ingram, Overholt & Bean, P. C.*

**Emergency Communications District  
Of Blount County, TN  
P. O. Box 4609  
Maryville, Tennessee 37802-4609**

September 20, 2010

Our discussion and analysis of the Emergency Communications District of Blount County, Tennessee's financial performance provides an overview of the District's activities for the year ended June 30, 2010. Please read it in conjunction with the transmittal letter and 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 Statement of Net Assets and the Statement of Activities provide information about the District as a whole and present a long-term view of the District's finances.

**THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES**

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities 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.

**FINANCIAL HIGHLIGHTS**

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

	<u>6-30-10</u>	<u>6-30-09</u>
Telephone and Wireless company "911" fees	34.5%	55.6%
State Emergency Communications Board		
Operational Funding	9.4%	11.5%
Appropriations from Blount County, Tennessee	9.8%	14.8%
Appropriations from City of Maryville, Tennessee	4.9%	7.4%
Appropriations from City of Maryville, Tennessee	4.9%	7.4%
Appropriations from City of Townsend, Tennessee	-	.3%
State reimbursement	.1%	1.2%
Capital Contribution from Blount County, TN	-	1.0%
Interest income and terminal fees	1.0%	.8%
Gain on sale of property	35.4%	-
Total funding	<u>100.0%</u>	<u>100.0%</u>

Operational costs for the E911 Center were \$1,997,463 and \$1,957,133 for the fiscal years ended June 30, 2010 and 2009, respectively. The 2% increase was chiefly the result of across the board wage increase and increased costs in fringe benefits provided.

## NET ASSETS

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

	<u>2010</u>	<u>2009</u>
Current assets	\$ 953,955	\$ 991,288
Capital assets	3,647,209	1,326,659
Other noncurrent assets	11,701	-
Total Assets	4,612,865	2,317,947
Current liabilities	203,070	179,397
Long-term debt	1,200,826	-
Net Assets:		
Invested in capital assets, net of related debt	2,403,977	1,326,659
Unrestricted	804,992	811,891
Total Net Assets	3,208,969	2,138,550
Total Revenues	3,076,342	2,041,908
Total Expenses	2,005,923	1,957,133
Change in Net Assets	1,070,419	84,775
Total Liabilities	1,403,896	179,397

Net assets of the District increased by 50% during the current year. Unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations, decreased by 2%. This was a result of using current assets to fund construction of a new communication facility.

## FINANCIAL RATIOS

The ratios of Working Capital and Days Cash demonstrate the continuing ability to finance operations with cash. The stability of the current ratio and the liabilities to net assets ratio demonstrate that the District has not financed its working capital and days cash with an increased proportion of debt. The following is a related schedule of ratios.

	<u>2010</u>	<u>2009</u>
Working Capital (the amount by which current assets exceed liabilities)	\$ 750,885	\$ 811,891
Current Ratio (compares current assets to liabilities – as an indicator of the ability to pay current obligations)	4.7	5.5
Days Cash and Investments (represents the number of days normal operations could continue with no revenue collections)	151	151
Return on Assets – illustrates to what extent there will be sufficient funds to replace assets in the future (excludes gain on sale of property)	.4%	3.7%

## CAPITAL ASSETS

At the fiscal year ended June 30, 2010, the District had \$3,647,209 invested in net capital assets as outlined below (a 174.9% increase from the last year).

	<u>2010</u>	<u>2009</u>
Land	\$ 21,038	\$ 61,038
Buildings	2,992,971	183,792
Improvements	7,940	232,213
Emergency 911 Equipment	518,782	533,184
Office furniture and equipment	95,762	8,050
Vehicle	10,716	14,013
Construction in progress	<u>-</u>	<u>294,369</u>
Totals	<u>\$ 3,647,209</u>	<u>\$ 1,326,659</u>

## DEBT

At the fiscal year end, the District had outstanding notes payable of \$1,243,232. Of this amount \$42,406 is due in the coming fiscal year. The remaining balance is due July 15, 2011.

## BUDGETS

The variances between the originally adopted budget for the fiscal year ended June 30, 2010, and the final budget were caused by increased costs in the areas of personnel, maintenance and repairs, and insurance.

## 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 Director of the District, P. O. Box 4609, Maryville, Tennessee 37802-4609.

Respectively submitted,

  
Jeff Gaylor  
Director

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**

Maryville, Tennessee

**STATEMENTS OF NET ASSETS**

June 30, 2010 and 2009

<u>ASSETS</u>	<u>Business-type Activities</u>	
	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 497,279	\$ 441,630
Certificates of Deposit	329,509	325,047
Accounts receivable	<u>127,167</u>	<u>224,611</u>
Total Current Assets	<u>953,955</u>	<u>991,288</u>
<b>PROPERTY, PLANT, AND EQUIPMENT:</b>		
Land	21,038	61,038
Building and improvements	3,019,785	966,476
Communications equipment	919,416	855,870
Office equipment and furniture	202,087	110,970
Vehicles	16,486	16,486
Construction in progress	<u>-</u>	<u>294,369</u>
	4,178,812	2,305,209
Less: Accumulated depreciation	<u>(531,603)</u>	<u>(978,550)</u>
Net Property, Plant, and Equipment	<u>3,647,209</u>	<u>1,326,659</u>
<b>OTHER ASSETS</b>		
Deferred costs	<u>11,701</u>	<u>-</u>
Total Assets	<u>\$ 4,612,865</u>	<u>\$ 2,317,947</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 128,555	\$ 147,762
Accrued payroll and related benefits	32,109	31,635
Notes Payable - Current	<u>42,406</u>	<u>-</u>
Total Current Liabilities	203,070	179,397
<b>LONG-TERM LIABILITIES:</b>		
Notes payable, net of current portion	<u>1,200,826</u>	<u>-</u>
Total Liabilities	<u>1,403,896</u>	<u>179,397</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	2,403,977	1,326,659
Unrestricted	<u>804,992</u>	<u>811,891</u>
Total Net Assets	<u>3,208,969</u>	<u>2,138,550</u>
Total Liabilities and Net Assets	<u>\$ 4,612,865</u>	<u>\$ 2,317,947</u>

See accompanying independent auditors' report and notes to the basic financial statements.

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**STATEMENTS OF ACTIVITIES**  
For the Fiscal Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES</b>		
Emergency Telephone Service Revenue	\$ 791,686	\$ 859,759
State Emergency Communications Board:		
Shared Wireless Revenue	270,081	275,487
Operational Funding	<u>290,009</u>	<u>234,923</u>
Total Operating Revenues	<u>1,351,776</u>	<u>1,370,169</u>
<b>OPERATING EXPENSES:</b>		
Salaries	1,078,641	1,060,034
Employee benefits	436,924	419,034
Contracts with private agencies	41,030	37,340
Rentals - equipment	90,976	86,245
Maintenance and repairs	73,088	82,707
Supplies and materials	28,238	28,307
Utilities	88,319	88,269
Other charges	17,654	30,340
Insurance	27,788	21,938
Depreciation	114,706	102,919
Amortization	<u>99</u>	<u>-</u>
Total Operating Expenses	<u>1,997,463</u>	<u>1,957,133</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(645,687)</u>	<u>(586,964)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
State reimbursement	30,000	24,349
Terminal fees	17,179	5,683
Local government contributions	610,367	610,365
Interest income	14,034	10,304
Gain from sale of property	1,052,986	-
Interest expense	<u>(8,460)</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>1,716,106</u>	<u>650,701</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	1,070,419	63,737
<b>CAPITAL CONTRIBUTIONS</b>		
Capital Contributions from Blount County, TN	<u>-</u>	<u>21,038</u>
Change in Net Assets	1,070,419	84,775
<b>NET ASSETS – BEGINNING OF YEAR</b>	<u>2,138,550</u>	<u>2,053,775</u>
<b>NET ASSETS – END OF YEAR</b>	<u>\$ 3,208,969</u>	<u>\$ 2,138,550</u>

See accompanying independent auditors' report and notes to the basic financial statements.

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**STATEMENTS OF CASH FLOWS**  
For the Fiscal Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts for telephone usage fees	\$ 1,066,115	\$ 1,084,317
Other Operating Receipts	329,163	201,453
Payments to suppliers	(326,979)	(192,988)
Payments for salaries and fringe benefits	(1,515,091)	(1,471,594)
Net Cash Provided(Used) by Operating Activities	<u>(446,792)</u>	<u>(378,812)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(2,880,079)	(399,038)
Proceeds from debt issue	1,250,000	-
Repayment of debt	(6,768)	-
Interest paid	(8,460)	-
Proceeds from the sale of property	1,497,809	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(147,498)</u>	<u>(399,038)</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>		
Local government contributions	610,367	610,365
State Reimbursement	30,000	24,349
Net Cash Provided from Non Capital Financing Activities	<u>640,367</u>	<u>634,714</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on cash deposits and certificates of deposit	14,034	10,304
Purchase of Certificates of Deposits	(4,462)	(7,050)
Net Cash Provided (Used) from Investing Activities	<u>9,572</u>	<u>3,254</u>
<b>NET CHANGE IN CASH</b>	55,649	(139,882)
<b>CASH AT BEGINNING OF YEAR</b>	<u>441,630</u>	<u>581,512</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 497,279</u>	<u>\$ 441,630</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (645,687)	\$ (586,964)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Cash flows reported in other categories:		
Depreciation and amortization expense	114,805	102,919
Terminal fees	17,179	5,683
Change in assets and liabilities:		
Receivables	97,444	(90,082)
Deferred costs	(11,800)	44,557
Accounts payable	(19,207)	137,601
Accrued expenses	474	7,474
Net cash provided (used) by operating activities	<u>\$ (446,792)</u>	<u>\$ (378,812)</u>
<b>OTHER DISCLOSURE – Non Cash Capital Financing Activities:</b>		
Contribution of land from Blount County, Tennessee	<u>\$ -</u>	<u>\$ 21,038</u>

See accompanying independent auditors' report and notes to the basic financial statements.

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2010 and 2009

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**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010 and 2009

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District complies with accounting principles generally accepted in the United States of America (GAAP). The District uses the required *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* effective July 1, 2008. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the basic financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. After November 30, 1989, the District follows GASB pronouncements only, and does not follow any FASB guidance after November 30, 1989. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**A. FINANCIAL REPORTING ENTITY**

The Emergency Communications District of Blount County, Tennessee (formerly Blount County Emergency Communications District) (911), a component unit of Blount County, Tennessee, was established by a resolution of the Blount County Board of Commissioners in April, 1986, and subsequently approved by the voters of Blount County, pursuant to the provisions of Tennessee Public Acts of 1984, Chapter 867. The District began operations in March 1987.

The District is governed by nine (9) directors appointed by the Blount County Board of County Commissioners. Before the issuance of most debt instruments, the District must obtain the approval of the Blount County Board of County Commissioners. The District's Board employs coordinators and staff to conduct the daily business of the organization.

The purpose of the Emergency Communications District of Blount County, Tennessee (formerly Blount County Emergency Communications District) is the operations of the number 911 as a single emergency telephone number through which emergency service can be quickly and efficiently obtained. The 911 system is intended to provide a simplified means of securing emergency services which will result in saving of life, a reduction in the destruction of property, quicker apprehension of criminals, and ultimately the saving of money.

**B. BASIS OF PRESENTATION**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities in accordance with special regulations, restrictions or limitations. The Statement of Net Assets and Statement of Activities display information about the reporting District as a whole. The statements present the District as a business-type activity. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity on net income measurement similar to the private sector.

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**

Maryville, Tennessee  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010 and 2009

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. BASIS OF PRESENTATION (Continued)**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities in accordance with special regulations, restrictions or limitations. The Statement of Net Assets and Statement of Activities display information about the reporting District as a whole. The statements present the District as a business-type activity. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity on net income measurement similar to the private sector.

**D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the Statement of Net Assets and the Statement of Activities, business-like activities are presented using the economic resources measurement focus as defined below.

The proprietary fund utilizes an “economic resources” measurement focus. The accounting objective of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

**Basis of Accounting**

In the Statement of Net Assets and Statement of Activities, a business-like activity (proprietary type) is presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Allocations of costs such as depreciation are recorded in proprietary funds.

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**

Maryville, Tennessee

**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2010 and 2009

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. ASSETS, LIABILITIES, AND EQUITY**

**Cash and Investments**

For the purpose of the Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the District. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments, if applicable, are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

**Receivables**

In the basic financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the District activities include emergency telephone service revenue and rent earned.

**Capital Assets and Depreciation**

In the basic financial statements, fixed assets are accounted for and capitalized as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 – 50 years
Improvements	10 – 50 years
Machinery and equipment	03 – 20 years

**Compensated Absences**

The District’s policies regarding vacation time permit employees to accumulate earned but unused vacation leave. At June 30, 2010, the District had no liability for compensated absences or accumulated sick leave. Vacation days are required to be used during each fiscal year with no carry-over to future periods.

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NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010 and 2009

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. ASSETS, LIABILITIES, AND EQUITY (Continued)**

**Equity Classifications**

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**E. REVENUES AND EXPENSES**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

**Operating Revenues/Expenses**

Operating revenues and expenses generally result from providing services in connection with the proprietary fund’s ongoing operations.

The principal operating revenue of the District is established by “tariff rate”, a flat monthly recurring telephone charge for one-party residence (\$1.10) and another rate for business exchange access service (\$2.45) within the base rate area governed by the boundaries of the District. Revenue is collected by BellSouth and remitted monthly to the District. Wireless fees are collected and remitted monthly to the District through the State of Tennessee. Operating expenses include salaries, employee benefits, purchased services, supplies, materials, and depreciation on capital assets. In the financial statements, expenses are classified by function for business-type activities by operating and non-operating.

**Non-operating Revenues/Expenses**

Non-operating revenues/expenses are all other revenues and expenses not meeting the definition of operating revenues/expenses above. The District’s principal non-operating revenues are rent, terminal fees, local government appropriations, and interest income.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2010 and 2009

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as an Emergency Communications District (E-911) unit, the entity is subject to various federal, state, and local laws and contractual regulations. An analysis of the entity's compliance with significant laws and regulations and demonstration of its stewardship over entity resources follows.

**Fund accounting requirements**

The E-911 complies with all state and local laws and regulations pertaining to Emergency Communications Districts as prescribed in the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* issued by the State of Tennessee, Comptroller of the Treasury, Division of County Audit, effective July 1, 2008.

**Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Annual Budget**

An annual budget is adopted by the District, approved by the Board of Directors, and submitted to the Tennessee Emergency Communications Board. The budget is based on expected expenses and estimated revenue resources. The budgetary basis is the accrual basis of accounting. If changes to estimated amounts become evident during the fiscal year, the District Board may amend the budget. All budget items lapse at the end of the fiscal year. Budgetary comparison schedules are presented in the supplemental section as required supplemental information.

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**NOTE 2 – CASH**

In order to provide a safe temporary medium for investment of idle funds, districts are authorized by TCA 6-56-106 to invest in the following:

- (1) Bonds, notes, or treasury bills of the United States;
- (2) Non-convertible debt securities of certain issuers;
- (3) Other obligations which are guaranteed as to principal and interest by the United States or any of its agencies;
- (4) Certificates of Deposit at state and federal chartered banks and savings and loans associations;
- (5) Obligations of the United States or its agencies under a repurchase agreement if approved as an authorized investment by the State Director of Local Finance;
- (6) Money market funds whose portfolios consist of any of the foregoing investments if approved as an authorized investment by the State Director of Local Finance; and
- (7) The Local Government Investment Pool under which local monies are transferred to and invested with the State Treasurer's cash portfolio.

Cash includes bank balances and certificates of deposit that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

**Interest Rate Risk** - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

**Credit Risk** – It is the District's policy to minimize custodial credit risk associated with cash deposits by utilizing financial institutions that issue deposits through the Federal Deposit Insurance Corporation and participate in the Tennessee State Collateral Pool. In addition, other investment credit risk losses are minimized by limiting investments to the safest types of securities.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010 and 2009

**NOTE 3 – CAPITAL ASSETS AND DEPRECIATION**

All capital assets are valued at historical cost. Depreciation is provided over the assets estimated useful lives using the straight-line basis. Changes in fixed assets and depreciation are as follows:

FISCAL YEAR ENDED JUNE 30, 2010:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Accumulated Depreciation	Net Value June 30, 2010
<b>NONDEPRECIABLE:</b>						
Land	\$ 61,038	\$ -	\$ 40,000	\$ 21,038	\$ -	\$ 21,038
Construction in progress	<u>294,369</u>	<u>2,687,917</u>	<u>2,982,286</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>355,407</u>	<u>2,687,917</u>	<u>3,022,286</u>	<u>21,038</u>	<u>-</u>	<u>21,038</u>
<b>DEPRECIABLE:</b>						
Building	501,250	3,011,795	501,250	3,011,795	18,824	2,992,971
Building improvements	465,226	7,990	465,226	7,990	50	7,940
Emergency equipment	855,870	63,546	-	919,416	400,634	518,782
Office equipment and furniture	110,970	91,117	-	202,087	106,325	95,762
Vehicle	<u>16,486</u>	<u>-</u>	<u>-</u>	<u>16,486</u>	<u>5,770</u>	<u>10,716</u>
	<u>1,949,802</u>	<u>3,174,448</u>	<u>966,476</u>	<u>4,157,774</u>	<u>531,603</u>	<u>3,626,171</u>
Totals	<u>\$ 2,305,209</u>	<u>\$ 5,862,365</u>	<u>\$ 3,988,762</u>	<u>\$ 4,178,812</u>	<u>\$ 531,603</u>	<u>\$ 3,647,209</u>

FISCAL YEAR ENDED JUNE 30, 2009:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009	Accumulated Depreciation	Net Value June 30, 2009
<b>NONDEPRECIABLE:</b>						
Land	\$ 40,000	\$ 21,038	\$ -	\$ 61,038	\$ -	\$ 61,038
Construction in progress	<u>-</u>	<u>294,369</u>	<u>-</u>	<u>294,369</u>	<u>-</u>	<u>294,369</u>
	<u>40,000</u>	<u>315,407</u>	<u>-</u>	<u>355,407</u>	<u>-</u>	<u>355,407</u>
<b>DEPRECIABLE:</b>						
Building	501,250	-	-	501,250	317,458	183,792
Building improvements	465,226	-	-	465,226	233,013	232,213
Emergency equipment	767,687	88,183	-	855,870	322,686	533,184
Office equipment and furniture	110,970	-	-	110,970	102,920	8,050
Vehicle	<u>-</u>	<u>16,486</u>	<u>-</u>	<u>16,486</u>	<u>2,473</u>	<u>14,013</u>
	<u>1,845,133</u>	<u>104,669</u>	<u>-</u>	<u>1,949,802</u>	<u>978,550</u>	<u>971,252</u>
Totals	<u>\$ 1,885,133</u>	<u>\$ 420,076</u>	<u>\$ -</u>	<u>\$ 2,305,209</u>	<u>\$ 978,550</u>	<u>\$ 1,326,659</u>

Depreciation expense for the fiscal year ended June 30, 2009 and 2008, amounted to \$114,706 and \$102,919, respectively.

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NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2010 and 2009

**NOTE 4 – LONG-TERM OBLIGATIONS**

During the fiscal year ended June 30, 2010, the District borrowed funds in the amount of \$1,250,000 to finance the construction of a new communications facility. Note principal and interest payments are due in monthly installments of \$7,614 beginning May 15, 2010. The note bears interest at 4% and matures July 15, 2011.

Changes in Notes Payable are as follows:

	<u>Balance 6-30-09</u>	<u>Note Proceeds</u>	<u>Note Repayments</u>	<u>Balance 6-30-10</u>
Note Payable	\$ <u>          -</u>	\$ <u>1,250,000</u>	\$ <u>6,768</u>	\$ <u>1,243,232</u>

Debt maturities are as follows:

	<u>Total Note Requirements</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 91,364	\$ 42,406	\$ 48,958
2012	<u>1,204,829</u>	<u>1,200,826</u>	<u>4,003</u>
Totals	<u>\$ 1,296,193</u>	<u>\$ 1,243,232</u>	<u>\$ 52,961</u>

Total interest incurred during the year was \$32,195. Of this amount, \$23,735 was capitalized into the cost of the facility and \$8,460 was expensed.

**NOTE 5 – COMMITMENT – AT&T**

AT&T (formerly BellSouth) furnishes Stand Alone Location Identification (SALI) equipment to the District at the rates prescribed by the tariffs of the Tennessee Public Service Commission (TPSC). These rates charged by AT&T vary with increases or decreases mandated by the TPSC, and for the Per 1000 Access Lines Served for the Combined Automatic Number and SALI. The access charge is based upon the maximum number of access lines in service during the calendar year and is adjusted annually at the end of each calendar year.

The lease term with AT&T is indefinite as to time and is currently at a rate of \$7,499 per month.

**NOTE 6 – EMPLOYEES' RETIREMENT PLAN**

**Plan Description:**

Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS) through the City of Maryville. TCRS provides retirement benefits as

**EMERGENCY COMMUNICATIONS DISTRICT  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010 and 2009

**NOTE 6 – EMPLOYEES' RETIREMENT PLAN (Continued)**

**Plan Description (Continued):**

well as death and disability benefits. Benefits are determined by a formula using member's high five (5)-year average salary and years of service. Members become eligible to retire at the age of sixty (60) with ten (10) years of service or at any age with thirty (30) years of service. A reduced retirement benefit is available to vested members at the age of fifty-five (55). Disability benefits are available to active members with five (5) 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 ten (10) years of service and members joining prior to July 1, 1979 were vested after four (4) years of service. Benefit provisions are established in state statute found in *Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA)*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Emergency Communications District of Blount 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 PSP. 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:**

The District requires employees to contribute 5.00% of earnable compensation.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010 was 10.85% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost:**

For the years ending June 30, 2010 and 2009, the District's annual pension cost of \$117,183 and \$113,398 to TCRS was equal to their required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually; (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries); (c) projected 3.5% annual increase in the Social Security wage base; and (d) projected post retirement increases of 3.0% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a five (5)-year period. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was eighteen (18) years. An actuarial valuation was performed as of July 1, 2007 which established contribution rates effective July 1, 2008.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2010 and 2009

**NOTE 6 – EMPLOYEES' RETIREMENT PLAN (Continued)**

**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$ 117,183	100.00%	\$ -
6/30/09	113,398	100.00%	-
6/30/08	109,140	100.00%	-

Since the District participates in the Plan through the City of Maryville, information is not available for the District's portion of the funded status and funding progress.

**NOTE 7 – RISK FINANCING ACTIVITIES**

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, and employee health insurance. Settled claims have not exceeded commercial coverage in any of the past three (3) fiscal years.

**NOTE 8 – SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2010, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is September 20, 2010, which is the date on which the financial statements were issued.

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee

SUPPLEMENTAL INFORMATION  
June 30, 2010

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS – BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2010 Actual</u>	Variance with Final Budget - Positive (Negative)
<b>OPERATING REVENUES:</b>				
Emergency Telephone Service Charge	\$ 872,000	\$ 872,000	\$ 791,686	\$ (80,314)
State Emergency Communications Board - Shared Wireless Revenue	286,100	286,100	270,081	(16,019)
Operating Funding	<u>234,900</u>	<u>234,900</u>	<u>290,009</u>	<u>55,109</u>
Total Operating Revenues	<u>1,393,000</u>	<u>1,393,000</u>	<u>1,351,776</u>	<u>(41,224)</u>
<b>OPERATING EXPENSES:</b>				
Salaries and Wages:				
Director/Assistant Director	123,406	123,953	123,953	-
Administrative Personnel	124,482	125,513	125,513	-
Dispatch Supervisors	147,066	147,066	146,494	572
Dispatchers	602,473	593,205	581,505	11,700
Data Processing Personnel	80,164	80,544	80,544	-
Overtime	10,000	17,310	17,310	-
Part-time Personnel	<u>8,570</u>	<u>8,570</u>	<u>3,322</u>	<u>5,248</u>
Total Salaries and Wages	<u>1,096,161</u>	<u>1,096,161</u>	<u>1,078,641</u>	<u>17,520</u>
Employee Benefits:				
Social Security	68,240	68,240	67,183	1,057
Medicare	15,960	15,960	15,712	248
Employee Insurance	237,554	237,178	235,925	1,253
Unemployment Compensation	1,200	1,200	921	279
Retirement Contributions	<u>115,000</u>	<u>117,183</u>	<u>117,183</u>	<u>-</u>
Total Employee Benefits	<u>437,954</u>	<u>439,761</u>	<u>436,924</u>	<u>2,837</u>
Contracted Services:				
Address/Mapping Services	1,000	1,000	-	1,000
Audit Services	8,300	8,300	8,000	300
Accounting Services	4,800	4,800	4,800	-
Janitorial Service	9,300	10,245	10,245	-
Legal Services	500	500	110	390
NCIC/TBI/TIES Services	9,120	7,314	6,560	754
Service Providers	8,000	10,874	10,874	-
Pest Control	<u>500</u>	<u>500</u>	<u>441</u>	<u>59</u>
Total Contracted Services	<u>41,520</u>	<u>43,533</u>	<u>41,030</u>	<u>2,503</u>
Lease/Rental:				
Communications Equipment	<u>92,268</u>	<u>92,268</u>	<u>90,976</u>	<u>1,292</u>

See accompanying independent auditors' report and notes to the basic financial statements.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS – BUDGET AND ACTUAL (Continued)**  
For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2010 Actual</u>	Variance with Final Budget Positive (Negative)
<b>OPERATING EXPENSES (Continued):</b>				
Maintenance and Repairs:				
Radio Consoles	11,160	11,160	10,712	448
Lawn Maintenance	1,800	3,609	3,609	-
Maintenance Agreements	48,000	39,372	39,335	37
Building Maintenance/Repairs	11,000	11,000	9,959	1,041
Language Line	700	700	353	347
Internet	<u>9,120</u>	<u>9,120</u>	<u>9,120</u>	<u>-</u>
Total Maintenance and Repairs	<u>81,780</u>	<u>74,961</u>	<u>73,088</u>	<u>1,873</u>
Supplies and Materials:				
Postage, Printing and Copies	1,500	1,500	1,139	361
Uniforms	3,000	2,566	2,566	-
Office Supplies	<u>21,000</u>	<u>24,533</u>	<u>24,533</u>	<u>-</u>
Total Supplies and Materials	<u>25,500</u>	<u>28,599</u>	<u>28,238</u>	<u>361</u>
Utilities:				
Electric	62,000	53,622	52,820	802
Cell Phones and Pagers	6,500	6,500	6,478	22
Telephone	27,000	27,000	25,190	1,810
Water	<u>1,400</u>	<u>3,831</u>	<u>3,831</u>	<u>-</u>
Total Utilities	<u>96,900</u>	<u>90,953</u>	<u>88,319</u>	<u>2,634</u>
Other Charges:				
Dues and Memberships	3,000	3,000	2,871	129
Travel and Training Expense	18,000	15,714	13,289	2,425
Employee Testing	750	750	671	79
Other	<u>750</u>	<u>823</u>	<u>823</u>	<u>-</u>
Total Other Charges	<u>22,500</u>	<u>20,287</u>	<u>17,654</u>	<u>2,633</u>
Insurance:				
Liability Insurance	10,000	8,146	7,672	474
Commercial Property Insurance	8,000	13,279	13,279	-
Workmen's Compensation Insurance	4,200	4,200	4,102	98
Surety Bonds	<u>1,500</u>	<u>2,735</u>	<u>2,735</u>	<u>-</u>
Total Insurance	<u>23,700</u>	<u>28,360</u>	<u>27,788</u>	<u>572</u>

See accompanying independent auditors' report and notes to the basic financial statements.

(Continued)

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS – BUDGET AND ACTUAL (Continued)**  
For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2010 Actual</u>	Variance with Final Budget Positive (Negative)
Depreciation	<u>120,000</u>	<u>114,841</u>	<u>114,706</u>	<u>135</u>
Amortization	<u>-</u>	<u>99</u>	<u>99</u>	<u>-</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><b>2,038,283</b></u>	<u><b>2,029,823</b></u>	<u><b>1,997,463</b></u>	<u><b>32,360</b></u>
<b>OPERATING INCOME (LOSS)</b>	<u><b>(645,283)</b></u>	<u><b>(636,823)</b></u>	<u><b>(645,687)</b></u>	<u><b>(8,864)</b></u>
Non-operating Revenues (Expenses):				
Interest Income	21,000	21,000	14,034	(6,966)
Contributions from Primary Governments:				
Blount County, Tennessee	302,133	302,133	302,135	2
City of Maryville, Tennessee	151,065	151,065	151,064	(1)
City of Maryville, Tennessee	151,065	151,065	151,064	(1)
City of Townsend, Tennessee	6,104	6,104	6,104	-
State Emergency Communications Board Grant	10,000	10,000	30,000	20,000
Terminal Fees	6,000	6,000	17,179	11,179
Gain from sale of property	-	-	1,052,986	1,052,986
Interest expense	<u>-</u>	<u>(8,460)</u>	<u>(8,460)</u>	<u>-</u>
Total Non-operating Revenues (Expenses)	<u>647,367</u>	<u>638,907</u>	<u>1,716,106</u>	<u>1,077,199</u>
<b>CHANGE IN NET ASSETS</b>	2,084	2,084	1,070,419	1,068,335
<b>NET ASSETS – BEGINNING OF YEAR</b>	<u>2,138,550</u>	<u>2,138,550</u>	<u>2,138,550</u>	<u>-</u>
<b>NET ASSETS – END OF YEAR</b>	<u><b>\$2,140,634</b></u>	<u><b>\$2,140,634</b></u>	<u><b>\$3,208,969</b></u>	<u><b>\$1,068,335</b></u>

See accompanying independent auditors' report and notes to the basic financial statements.

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**

Maryville, Tennessee

**SCHEDULE OF INSURANCE IN FORCE**

June 30, 2010

<u>Insurance Company</u>	<u>Policy Number</u>	<u>Period</u>	<u>Description</u>
Tennessee Municipal League Risk Management Pool	TML-0381-03	11-23-09 to 11-23-10	General Liability: \$300,000 per person for bodily injury \$700,000 per occurrence for bodily injury \$100,000 per occurrence for property damage \$1,000,000 per occurrence for each other loss
Westfield Companies	CWP-3-692-320	3-31-10 to 3-31-11	Commercial Property Coverage: Building and Contents - \$2,602,500, \$1,000 Deductible; Other – Tower and 911 System - \$48,000, \$1,000 Deductible

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**SCHEDULE OF CHANGES IN FIXED ASSETS**  
June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>	<u>Accumulated Depreciation</u>	<u>Net Value June 30, 2010</u>
<b>NONDEPRECIABLE:</b>						
Land	\$ 61,038	\$ -	\$ 40,000	\$ 21,038	\$ -	\$ 21,038
Construction in progress	<u>294,369</u>	<u>2,687,917</u>	<u>2,982,286</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>355,407</u>	<u>2,687,917</u>	<u>3,022,286</u>	<u>21,038</u>	<u>-</u>	<u>21,038</u>
<b>DEPRECIABLE:</b>						
Building	501,250	3,011,795	501,250	3,011,795	18,824	2,992,971
Building improvements	465,226	7,990	465,226	7,990	50	7,940
Emergency equipment	855,870	63,546	-	919,416	400,634	518,782
Office equipment and furniture	110,970	91,117	-	202,087	106,325	95,762
Vehicle	<u>16,486</u>	<u>-</u>	<u>-</u>	<u>16,486</u>	<u>5,770</u>	<u>10,716</u>
	<u>1,949,802</u>	<u>3,174,448</u>	<u>966,476</u>	<u>4,157,774</u>	<u>531,603</u>	<u>3,626,171</u>
<b>Totals</b>	<u><b>\$2,305,209</b></u>	<u><b>\$5,862,365</b></u>	<u><b>\$ 3,988,762</b></u>	<u><b>\$4,178,812</b></u>	<u><b>\$ 531,603</b></u>	<u><b>\$3,647,209</b></u>

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**SCHEDULE OF INFORMATION REQUIRED BY  
THE TENNESSEE EMERGENCY COMMUNICATIONS BOARD**  
For the Fiscal Year Ended June 30, 2010

Number of public safety answering points:	One (1)
Address(es) of each public safety answering point(s):	1431 William Blount Drive Maryville, Tennessee 37801
Type of system/equipment and database used by each public safety answering point:	Positron VIPER/Power 9-1-1
Director of the Blount County Emergency Communications District:	Jeff Caylor P. O. Box 4609 Maryville, Tennessee 37802 (865) 981-7108 Fax: (865) 981-7105
Chairman of the Blount County Emergency Communications District:	Bill Brewer P. O. Box 4609 Maryville, Tennessee 37802 (865) 981-7108 Fax: (865) 981-7105

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
(Formerly Blount County Emergency Communications District)  
Maryville, Tennessee  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
June 30, 2010

<u>Program Name</u>	<u>Grant/Contract Number</u>	<u>Grantpr Agency</u>	<u>Balance 7-1-09</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance 6-30-10</u>
Training Reimbursement Program	N/A	Tennessee Emergency Communications Board	\$ -	\$ 20,000	\$ 20,000	\$ -
GIS Mapping Maintenance Grant	Z-03-016915	Tennessee Emergency Communications Board	-	10,000	10,000	-
Totals			<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ -</u>

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**

Maryville, Tennessee

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*

June 30, 2010



Joe S. Ingram, CPA  
Lonas D. Overholt, CPA  
Robert L. Bean, CPA

428 Marilyn Lane  
Maryville, Tennessee 37701

Telephone  
865-984-1040  
Facsimile  
865-982-1665

September 20, 2010

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

Board of Directors  
Emergency Communications District  
of Blount County, Tennessee  
Maryville, Tennessee

We have audited the financial statements of the business-type activities of the Emergency Communications District of Blount County, Tennessee (formerly Blount County Emergency Communications District), a component unit of Blount County, Tennessee, as of and for the year ended June 30, 2010, and have issued our report thereon dated September 20, 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 opinions 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 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 certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 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 with governance.

#### 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 *Governmental Auditing Standards*.

This report is intended solely for the information and use of the governing body, management, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

*Ingram, Overholt & Bean, P.C.*

**EMERGENCY COMMUNICATIONS DISTRICT  
OF BLOUNT COUNTY, TENNESSEE**  
(Formerly Blount County Emergency Communications District)  
Maryville, Tennessee  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2010

Findings of Internal Control Over Financial Reporting

**2010-01 Credit Card Receipts**

**Finding**

Receipts for credit card charges were not retained and matched to the charges on the credit card statement. A credit card statement is not adequate documentation for credit card charges.

**Recommendation**

It is recommended that credit card receipts be retained and matched against the charges as they appear on the credit card statement. The receipts should be attached to the statement and retained as documentation for the charges made.

**Management's Response**

Management concurs with and understands the finding. Receipts reviewed for appropriateness but not attached to credit card statement.

Since accountant's suggestion of this during the audit process, receipts will be attached to the appropriate statement and become a part of that permanent record. File has already been established for this purpose.