

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF SEVIER COUNTY

Sevierville, Tennessee

FINANCIAL STATEMENTS

June 30, 2010 and 2009

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

TABLE OF CONTENTS

INTRODUCTORY SECTION:

Roster of Board of Directors and Management Officials	1
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MANAGEMENT'S DISCUSSION AND ANALYSIS:

Financial Highlights	2
Overview of the Financial Statements	2
Financial Analysis	3-5

FINANCIAL STATEMENTS:

Independent Auditors' Report	6-7
Statement of Net Assets	8
Statement of Revenues, Expenses and Changes in Fund Net Assets	9
Statement of Cash Flows	10-11
Notes to Financial Statements	12-17

SUPPLEMENTAL SCHEDULES:

Schedule of Detailed Expenses	18
Budgetary Comparison Schedule	19
Schedule of Insurance in Force	20
Schedule of Information Required by the Tennessee Emergency Communications Board	21

REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS:

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22-23
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SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT OFFICIALS

BOARD OF DIRECTORS FOR 2009 – 2010:

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

MANAGEMENT OFFICIALS FOR 2009 – 2010:

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

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

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Sevierville, Tennessee
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

FINANCIAL HIGHLIGHTS

Operating revenues for the emergency communications district were \$963,722 for fiscal year 2010, compared to \$922,914 for fiscal year 2009. This was an increase of \$40,808 during the current year. Net income produced an increase in net assets of \$233,289 in 2010, and \$257,607 in 2009. The term "net assets" refers to the difference between assets and liabilities. At the close of the fiscal year 2010, the district has net assets of \$2,544,603, an increase of 10.09% over the prior year, and at the close of the fiscal year 2009, the district had net assets of \$2,311,314, an increase of 11.26% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. Since the District is comprised of a single enterprise fund, no fund level financial statements are shown. In addition, the District has no infrastructure assets and is therefore exempt from required infrastructure disclosures. This report also contains other supplementary information concerning the District's budget to actual comparisons and certain non-financial information required by the Tennessee Emergency Communications Board.

Basic financial statements: The basic financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net assets which indicates an improved financial position.

The statement of revenues, expenses, and changes in net assets presents information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budget to actual comparison and certain non-financial information required by the Tennessee Emergency Communications Board.

FINANCIAL ANALYSIS OF THE DISTRICT

Net assets may serve, over time, as a useful indicator of an entity's financial position. In the case of the district, assets exceeded liabilities by \$2,544,603 at the close of June 30, 2010. This represents an increase of \$233,289 (10.09 %) over the previous year. The unrestricted net assets were \$1,276,712. At the close of June 30, 2009, assets exceeded liabilities by \$2,311,314 and represented an increase of \$257,607 (11.25%) over the previous year. The unrestricted net assets were \$907,351. By far, the largest portion of the district's net assets reflects its investment in certificates of deposit. These certificates of deposit are in various local financial institutions, all of which are members of the Tennessee State Collateral Pool. Interest Rates on these certificates range from 1.65% to 2.25%. Maturity dates range from July 2010 to June 2011. Much of the funds invested in certificates of deposits are expected to be used to purchase capital assets over the next few years. The board considers the upgrades of the 911 system to be an ongoing process to stay current with technological advances.

Emergency communications district's net assets are as follows for the fiscal years ending June 30, 2010, 2009 and 2008.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current Assets	\$1,288,714	\$994,031	\$1,127,225
Capital Assets	1,268,510	1,403,963	940,209
Total Assets	<u>\$2,557,224</u>	<u>\$2,397,994</u>	<u>\$2,067,434</u>
Current Liabilities	\$12,621	\$86,680	\$13,727
Long-Term Liabilities	0	0	0
Total Liabilities	<u>\$12,621</u>	<u>\$86,680</u>	<u>\$13,727</u>
Net Assets			
Invested in Capital Assets	\$1,267,891	\$1,403,963	\$940,209
Unrestricted	1,276,712	907,351	1,113,498
Total Net Assets	<u>\$2,544,603</u>	<u>\$2,311,314</u>	<u>\$2,053,707</u>

Emergency Communications District's changes in net assets are as follows for the fiscal year ended June 30, 2010, 2009, 2008.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating Revenues	\$963,722	\$922,914	\$919,237
Operating Expenses	760,213	717,144	659,563
Income from Operations	<u>\$203,509</u>	<u>\$205,770</u>	<u>\$259,674</u>
Non-Operating Revenue (expenses)			
Interest Income	16,817	30,217	40,350
Casualty Loss from Lighting Strike	3,791	(13,116)	0
State Grants & Reimbursements	10,000	34,736	172,267
Loss on Disposal of Fixed Assets	(828)	0	0
Net Non-Operating Revenue (Expenses)	<u>\$29,780</u>	<u>\$51,837</u>	<u>\$212,617</u>
Change in Net Assets	<u>\$233,289</u>	<u>\$257,607</u>	<u>\$472,291</u>
Net Assets Beginning of Year	<u>\$2,311,314</u>	<u>\$2,053,707</u>	<u>\$1,581,416</u>
Net Assets, End of Year	<u>\$2,544,603</u>	<u>\$2,311,314</u>	<u>\$2,053,707</u>

Significant Events

On June 17, 2009 there was a lightening strike at the Sevier County Sheriff's Department that took down two of the dispatch work stations. The replacement cost for the equipment needed to re-establish Stations 1 and 2 was \$74,260.83. The District submitted an insurance claim to Tennessee Municipal League and was reimbursed \$73,760.83 on August 26, 2009.

On September 14, 2009, the District's Board voted to pay for the emergency services county wide trunking fees for fiscal year 2009 – 2010 and fiscal year 2010 - 2011. This covers all departments that are dispatched by Central Dispatch. The Sevier County Ambulance Authority currently pays the electric bill for the whole trunking system and they were reimbursed \$3,504.49 on June 25, 2010. The 2009 – 2010 fiscal year cost for the trunking system was \$27,560.91, which was paid to Land, Air Total Communications on June 11, 2010.

On December 12, 2009, the Tennessee Emergency Communications Board reported that funds that were previously used for carrier cost recovery will be used for Emergency Communications Districts operational funding. The Sevier County Emergency Communications District will be reimbursed \$89,184 per year.

On December 12, 2009 the Sevier County Emergency Communications District Board of Directors approved the purchase of radios to change Central Dispatch from analog to digital for both the Sevier County Ambulance Authority and the Sevier County Emergency Management Agency. Each radio cost approximately \$700.

On February 8, 2010 the Sevier County Emergency Communications District Board of Directors voted to continue reimbursement of the allocated \$4,000 per dispatcher position for documented training cost for all PSAP dispatchers.

On February 8, 2010 the Sevier County Emergency Communications District Board of Directors approved the purchase of a maintenance contract with Emerson Network Powers, Liebert Services Inc. to service and do preventive maintenance on the Liebert Uninterruptible Power Supply Equipment owned by the District.

On March 8, 2010 the Tennessee Emergency Communications Board voted to adopt a funding plan to connect local Emergency Communications Districts to the Next Generation 911 project. This plan will distribute the \$25 million dollars in funding during 2010; The Next Generation 911 will allow ECD's to handle emerging technologies like Internet phone service (VoIP) and the many capabilities of today's cell phones. The funding plan indicates that the Sevier County Emergency Communications District should receive a total of \$281,122 to be spent on the NG911 equipment upgrades.

On May 10, 2010 the Sevier County Emergency Communications District Board of Directors approved the purchase of two AccuGlobe E-911 Dispatch Edition licenses. Central Dispatch and Gatlinburg Police Department will each get an additional seat. The total cost for both licenses was \$6,990 and that included the first year maintenance. Annual fees and maintenance support will be \$720 per seat per year and the fee will be subject to a rate increase on an annual basis at a rate equal to the current Consumer Price Index for all urban consumers or 3%, whichever is greater.

An annual maintenance contract with Land, Air Total Communications was established for the fiscal year 2010 – 2011. The contract cost is calculated at \$85 per computer position per month for labor and response travel time. All out of warranty parts will be billed at OEM invoice plus 10% markup. Billing will be on a monthly basis and invoice is due upon receipt. Additional fees not covered under this Service Agreement will be invoiced separately and are due upon receipt. Emergency Services are broken down into two levels: Level 1 – Catastrophic Failure: Catastrophic failure is considered when the PSAP is totally non-operative and unable to answer E-911 calls and/or unable to communicate with emergency personnel via radio. Emergency calls of this nature will result in the service provider beginning the service response to the PSAP immediately from his/her current location. Level 2 – Non-Catastrophic Failure: Non-catastrophic failure is considered when the PSAP is still operational but simply requires service that is not critical to the operation of the PSAP or is not showing signs of imminent system failure which will be determined by the on call technician at the time the problem is reported. Normal response time for Non-catastrophic failures will usually be within 4 to 12 hours during normal business hours.

Cash Flow

Net cash provided by operating activities during the year ended June 30, 2010, was \$424,504, an increase of \$143,292 from the prior year amount. This increase was principally due to operating revenues. Net cash used by financing activities involving a lightening strike at the Sevier County Sheriff's Department and Sevier County Central Dispatch, requiring replacement of Moducom 9-1-1 phone equipment during the year ended June 30, 2010, resulted in a decrease in cash of \$32,159 (net of state grants and reimbursements). Net cash used by investing activities during the year ended June 2010, was \$246,885 due to purchase of investments.

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

Budgetary Highlights

The original budgets were approved in June 2009 for the fiscal year ended June 30, 2010; and in June 2008 for the fiscal year ended June 30, 2009 and were amended as needed throughout each year. The original and final budgets are presented as separate columns in the required supplementary information.

Capital Assets and Debt Administration

Capital Assets: The District's investment in capital assets amount to \$1,268,510, net accumulated depreciation as of June 30, 2010, a decrease of \$135,453. Capital assets primarily include communications equipment and computer hardware and software used in 9-1-1 communications.

Long term debt: The district has no long-term debt as of June 30, 2010; and no long-term debt as of June 30, 2009.

Request for Information

The financial report is designed to provide a general overview of the district's finances for all those with an interest in its finances. Questions concerning any information provided in this report or request for additional financial information should be addressed to: Director, Sevier County Emergency Communications District, at 245 Bruce Street, Sevierville, TN 37862.

HICKMAN AND COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sevier County Emergency Communications District
Sevierville, Tennessee

We have audited the accompanying financial statements of the Sevier County Emergency Communications District, a component unit of Sevier County, as of, and for the years ended, June 30, 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 audit.

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

As discussed in Note 1, the financial statements present only the Sevier County Emergency Communications District and do not purport to, and do not, present fairly the financial position of the County of Sevier, Tennessee as of June 30, 2010 and 2009, and the changes in its financial position of the years ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sevier County Emergency Communications District as of June 30, 2010 and 2009, and the changes in financial position and cash flows thereof for the 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 our report dated August 31, 2010 on our consideration of the Sevier County Emergency Communications District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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, budgetary comparison information on pages 2 through 5 and page 19 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 opinions on the financial statements of the Sevier County Emergency Communications District as a whole. The introductory section, schedule of detailed expenses, schedule of insurance in force and schedule of information required by the Tennessee Emergency Communications Board are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of detailed expenses is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section, schedule of insurance in force and schedule of information required by the Tennessee Emergency Communications Board 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 and assurance on them.

Hickman and Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
Knoxville, Tennessee
August 31, 2010

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

STATEMENT OF NET ASSETS

June 30, 2010 and 2009

- ASSETS -**Current Assets:**

	<u>2010</u>	<u>2009</u>
Cash and Cash Equivalents (Note 2)	\$325,893	\$170,433
Investments	844,423	578,886
Accounts Receivable (Note 3)	83,090	226,890
Accrued Interest Receivable	1,468	3,303
Prepaid Expenses	33,840	14,519
<u>Total Current Assets</u>	<u>\$1,288,714</u>	<u>\$994,031</u>

Fixed Assets: (Notes 1 and 5)

Buildings and Improvements	\$697,861	\$697,861
Furniture and Fixtures	79,417	79,417
Equipment	1,660,233	1,916,469
Vehicles	49,438	49,438
	<u>\$2,486,949</u>	<u>\$2,743,185</u>
Less: Accumulated Depreciation	<u>(1,218,439)</u>	<u>(1,339,222)</u>
<u>Total Property and Equipment</u>	<u>\$1,268,510</u>	<u>\$1,403,963</u>

TOTAL ASSETS

<u>\$2,557,224</u>	<u>\$2,397,994</u>
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- LIABILITIES -**Current Liabilities:**

Accounts Payable	\$4,083	\$78,923
Compensated Absences Payable (Note 1)	8,538	7,757
<u>Total Current Liabilities</u>	<u>\$12,621</u>	<u>\$86,680</u>

TOTAL LIABILITIES

<u>\$12,621</u>	<u>\$86,680</u>
-----------------	-----------------

Net Assets

Invested in Capital Assets	\$1,267,891	\$1,403,963
Unrestricted Net Assets	1,276,712	907,351
<u>TOTAL NET ASSETS</u>	<u>\$2,544,603</u>	<u>\$2,311,314</u>

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

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Sevierville, Tennessee
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Years Ended June 30, 2010 and 2009

<u>OPERATING REVENUES:</u>	<u>2010</u>	<u>2009</u>
Emergency Telephone Service Charge	\$522,108	\$560,580
Tennessee Emergency Communications Board – Shared Wireless Charge	180,158	185,228
TECB-Operational Funding	261,211	176,619
Other Operating Revenues	245	487
<u>Total Operating Revenues</u>	<u>\$963,722</u>	<u>\$922,914</u>
 <u>OPERATING EXPENSES:</u>		
Salaries and Wages	\$214,567	\$213,571
Employee Benefits	71,788	68,704
Contracted Services	202,485	206,004
Supplies and Materials	46,587	47,507
Other Charges	52,712	32,211
Depreciation	172,074	149,147
<u>Total Operating Expenses</u>	<u>\$760,213</u>	<u>\$717,144</u>
 <u>Operating Income</u>	<u>\$203,509</u>	<u>\$205,770</u>
 <u>NON-OPERATING REVENUES (EXPENSES):</u>		
Interest Income	\$16,817	\$30,217
Impairment Income (Loss) from Lightening Strike	3,791	(13,116)
Loss on Disposal of Fixed Assets	(828)	0
Tennessee Emergency Communications Board – Grants and Reimbursements	10,000	34,736
<u>Total Non-Operating Revenues (Expenses)</u>	<u>\$29,780</u>	<u>\$51,837</u>
 Net Income for the Year	 \$233,289	 \$257,607
 NET ASSETS, BEGINNING OF YEAR	 <u>2,311,314</u>	 <u>2,053,707</u>
 NET ASSETS, END OF YEAR	 <u>\$2,544,603</u>	 <u>\$2,311,314</u>

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

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Cash Flows from Operating Activities:</u>		
Cash from Emergency Telephone Service Charge	\$522,646	\$562,391
Cash from State Emergency Communications Board – Shared Wireless Charge	217,370	146,091
Cash from Map Sales and Other Operating Revenues	292,696	147,669
Cash Payments to Employees and Professional Contractors for Services	(506,754)	(486,632)
Cash Payments to Suppliers for Goods and Services	<u>(101,454)</u>	<u>(88,307)</u>
<u>Net Cash Provided by Operating Activities</u>	<u>\$424,504</u>	<u>\$281,212</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
State Emergency Communications Board – Grants and Reimbursements	<u>\$10,000</u>	<u>\$34,736</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Purchase of Property and Equipment	\$(118,546)	\$(629,723)
Insurance Reimbursements	103,180	0
Impairment Losses	<u>(16,793)</u>	<u>0</u>
<u>Net Cash (Used) by Capital and Related Financing Activities</u>	<u>\$(32,159)</u>	<u>\$(629,723)</u>
<u>Cash Flows from Investing Activities:</u>		
Proceeds from Investment CD's	\$578,886	\$458,480
Purchase of Investment Securities	(844,423)	(578,886)
Interest Income	18,652	27,994
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>\$(246,885)</u>	<u>\$(92,412)</u>
NET INCREASE (DECREASE) IN CASH	\$155,460	\$(406,187)
CASH, BEGINNING OF YEAR	<u>170,433</u>	<u>576,620</u>
CASH, END OF YEAR	<u>\$325,893</u>	<u>\$170,433</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
<u>Operating Income:</u>	\$203,509	\$205,770
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</u>		
Depreciation and Amortization	172,074	149,147
(Increase) Decrease in Accounts Receivable	143,800	(66,763)
(Increase) Decrease in Prepaid Expenses	(19,321)	(9,839)
Increase (Decrease) in Accounts Payable	(76,339)	2,774
Increase (Decrease) in Compensated Absences Payable	<u>781</u>	<u>123</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>\$424,504</u>	<u>\$281,212</u>

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

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Sevierville, Tennessee
STATEMENT OF CASH FLOWS (CONT)
For the Years Ended June 30, 2010 and 2009

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

Loss of Equipment due to Lighting Strike at Central Dispatch 8/15/09	\$21,713
Loss on Disposal of Equipment	828

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

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –

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

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

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

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

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

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

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

Budgets and Budgetary Accounting – As set forth in the Tennessee Code Annotated Section 7-86-120, Sevier County Emergency Communications District formally adopts an annual budget. The budget is prepared on a modified cash basis. Certain capital expenditure items are included as an item of expense. Revisions to the budget were approved by the Board of Directors as changes became necessary throughout the year. For the year ended June 30, 2010, the budgeted expense was \$929,000. Anticipated revenues were \$929,000 at original budget date. All unencumbered annual appropriations lapse at fiscal year-end. A Statement of Revenue, Expenses and Changes in Fund Net Assets, Actual Compared to Budget, is presented in the supplemental information. This statement reconciles the modified cash basis budget to the accrual basis presentation of the financial statements.

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

As of June 30, 2010 and 2009, respectively, the liability for earned vacation time accrued was \$8,538 and \$7,757.

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

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

NOTE 2 – CASH –

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

At June 30, 2010 and 2009 respectively, the carrying amount of the District's certificates of deposit were \$844,423 and \$578,886 and the bank balances were \$325,893 and \$170,433. All deposits during the two-year period covered by this audit were collateralized by The State of Tennessee Bank Collateral Pool or individual pledged securities for balances over the FDIC insured amount. The following is disclosed concerning cash depository accounts:

- a. Name of bank.
 - b. Amount of security pledged as of the date of highest balance on deposit.
 - c. Largest cash, savings and time deposit combined amount and month of occurrence.
 - d. Total amount of FDIC coverage at the time of largest combined balance.
-
- a. Citizens National Bank
 - b. All governmental funds collateralized by State of Tennessee Collateral Pool.
 - c. \$502,797, September, 2009
 - d. \$250,000.00
-
- a. Tennessee State Bank
 - b. All governmental funds collateralized by State of Tennessee Collateral Pool.
 - c. \$114,950, September, 2009
 - d. \$250,000.00
-
- a. Smart Bank
 - b. Collateralized by \$50,000 FNMA CMO Pool 2010-32 Pledged by Smart Bank agent.
 - c. \$844,428, June, 2010
 - d. \$250,000.00

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

NOTE 3 – REVENUE AND SUPPORT –

Revenue – The District's primary source of revenue is a surcharge on Sevier County telephone service collected by Telephone Service Providers in accordance with Tennessee Code Annotated Section 7-86-108. This surcharge may be levied for Sevier County Emergency Communications Districts by Telephone Service Providers up to a maximum of \$.65 per month for residence-classification users and \$2.00 per month for business-classification users. Effective May 20, 1993, Tennessee Code Annotated Section 7-86-108 was amended to allow rates to be increased to exceed the maximum stated above; however, this must be done by the Board of Directors of emergency communications districts calling a referendum. If approved, the maximum monthly charges cannot exceed \$1.50 for residential users or \$3.00 for business users. Not more than one referendum may be held in any 24-month period. During the fiscal years ended June 30, 2010 and 2009, total operating revenues in the amount of \$707,562 and \$751,573 were earned from telephone surcharges. Surcharges in the amount of \$5,296 and \$5,765 were uncollectible at June 30, 2010 and 2009, respectively. Emergency Telephone Surcharge revenue is shown net of these uncollectible amounts.

The District receives surcharge revenue from, AT&T Communications, USLEC of TN, Inc., Nuvox Communications, ITC Deltacom, Charter Fiberlink TN, LLC, Birch Telecom, and 26 other telephone service providers as well as the State of Tennessee (cell phones).

The accounts receivable balance at June 30, 2010 and 2009, \$83,090 and \$226,890 respectively, represents net amounts of \$25,498 and \$28,945 due from AT&T for the surcharge on Sevier County telephone services for the month of June, \$30,564 and \$30,294 due from the State of Tennessee for cell phone revenue as well as \$27,028 and \$167,650 in revenue from other sources.

Non Monetary Support – An undetermined amount of operating support was received during the fiscal years ended June 30, 2010 and 2009 from various law-enforcement agencies or departments located in Sevier County. This support is in the form of personnel costs to receive and handle the calls to Emergency 911. Sevier County is divided into emergency service number (ESN) boundaries and the service number from which the call is being placed determines which Public Safety Answering Point (PSAP) would receive the call. At June 30, 2010, all phone services in Sevier County had been addressed and totaled 70,732. These were serviced by the answering points of various agencies or departments in the following approximate percentages:

	<u>Percentage</u>
Pigeon Forge Police Department	10.68%
Central Dispatch	89.32%
<u>TOTAL</u>	<u>100.00%</u>

NOTE 4 – EXPENSES –

The District’s expenses incurred from AT&T other than normal telephone charges for the years ended June 30, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Service Fee	\$82,649	\$115,995
Administration Fee of 1% of Net Revenues	3,235	3,672
Fax Monthly Line Expenses	6,713	8,278
<u>TOTAL</u>	<u>\$92,597</u>	<u>\$127,945</u>

NOTE 5 – CHANGES IN FIXED ASSETS –

The following is a summary of fixed assets at June 30, 2010:

	<u>Balance</u> <u>6/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2010</u>
Buildings	\$697,861	\$0	\$0	\$697,861
Less: Accumulated Depreciation – Buildings	(225,146)	(18,913)	0	(244,059)
Furniture and Fixtures	79,417	0	0	79,417
Less: Accumulated Depreciation – Furniture & Fixtures	(68,587)	(2,615)	0	(71,202)
Equipment	1,916,469	59,131	(315,367)	1,660,233
Less: Accumulated Depreciation – Equipment	(996,051)	(150,515)	292,826	(853,740)
Automobile	49,438	0	0	49,438
Less: Accumulated Depreciation – Automobile	(49,438)	0	0	(49,438)
<u>Total Net Fixed Assets</u>	<u>\$1,403,963</u>	<u>\$(112,912)</u>	<u>\$(22,541)</u>	<u>\$1,268,510</u>

NOTE 6 – RETIREMENT COMMITMENTS – (The June, 2010 Note on Retirement Commitments was not available from the Tennessee Consolidated Retirement System as of the date of the auditors report. Following is the June, 2009 note from TCRS. Updating this note is not expected to material effect the financial statements.)

Plan Description – Employees of Sevier County 911 Emergency District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member’s high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Sevier County 911 Emergency District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

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

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

Annual Pension Cost – For the year ending June 30, 2009, Sevier County 911 Emergency District’s annual pension cost of \$24,941 to TCRS was equal to Sevier County 911 Emergency District’s required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Sevier County 911 Emergency District’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 12 years. An actuarial evaluation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Fiscal Year Ending	Annual Pension Cost (APC)	Trend Information	
		Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$24,941	100.00%	\$0.00
June 30, 2008	24,846	100.00%	0.00
June 30, 2007	23,323	100.00%	0.00

Funded Status and Funding Progress

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

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

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

(Dollar amounts in thousands)

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

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

(Dollar amounts in thousands)

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

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

NOTE 7 – LOSS POLICY –

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

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

It is the policy of Sevier County Emergency Communications District to retain membership in the Tennessee Municipal League Risk

Management Pool (TML) that currently operates as a common risk management and insurance program for members. Sevier County Emergency Communications District pays an annual premium to TML for the following risk coverage's: General Liability, Law Enforcement Liability, Errors and Omissions, Employee Dishonesty, Automobile Liability, Automobile Physical Damage, Workers Compensation, and Employers Liability. TML agrees to provide coverage for the types of losses listed previously, in return for premiums paid. Sevier County Emergency Communications District retains the risk of loss only to the extent of the amount of policy deductibles.

Official Statutory Bonds for board officials and administrative employees are placed with Ohio Casualty Group.

There have been no significant reductions in policy coverage's in any major categories of risk. No settlements have exceeded policy coverage's in fiscal years 2008, 2009, and 2010.

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

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Sevierville, Tennessee
SCHEDULE OF DETAILED EXPENSES
For the Years Ended June 30, 2010 and 2009

-18-

OPERATING EXPENSES	<u>2010</u>	<u>2009</u>
<u>Salaries and Wages:</u>		
Director	\$ 65,038	\$ 65,547
Administrative Personnel	43,382	42,722
Technical Support Personnel	<u>106,147</u>	<u>105,302</u>
Total Salaries and Wages	<u>214,567</u>	<u>213,571</u>
<u>Employee Benefits:</u>		
Social Security	12,778	12,906
Medicare	2,988	3,018
Medical Insurance	31,040	27,840
Retirement Contributions	<u>24,982</u>	<u>24,940</u>
Total Employee Benefits	<u>71,788</u>	<u>68,704</u>
<u>Contracted Services:</u>		
Mapping & Addressing	5,766	10,478
Advertising	298	509
Accounting Services	6,916	6,592
Administrative Fees	9,878	8,774
Service Charge	82,649	115,995
Janitorial Expenses	9,728	9,306
Mapping/Data Base Consultants & Expenses	22,230	35,008
Maintenance Contracts	53,799	3,964
Maintenance and Repairs - Communications Equipment	2,772	1,206
Maintenance and Repairs - Buildings and Facilities	6,845	13,468
Maintenance and Repairs - Office Equipment	900	0
Maintenance and Repairs - Vehicles	<u>704</u>	<u>704</u>
Total Contracted Services	<u>202,485</u>	<u>206,004</u>
<u>Supplies and Materials:</u>		
Office Supplies	3,928	3,012
Postage	209	751
Utilities - Electric	19,656	18,566
Utilities - Water	407	523
General Telephone	14,649	15,279
Cell Phones and Pagers	1,025	1,098
Fax Lines for PSAPs	<u>6,713</u>	<u>8,278</u>
Total Supplies and Materials	<u>46,587</u>	<u>47,507</u>
<u>Other Charges:</u>		
Board Meeting Expenses	2,940	2,653
Dues and Memberships	1,033	1,489
Insurance - Worker's Compensation	253	521
Insurance - Liability	4,336	5,897
Insurance - Buildings and Contents	3,403	4,345
Insurance - Equipment	1,605	1,987
Insurance - Employee Dishonesty	1,106	1,340
Insurance - Vehicles	655	811
Public Education	12,495	13,168
Training Expenses	<u>24,886</u>	<u>0</u>
Total Other Charges	<u>52,712</u>	<u>32,211</u>
Depreciation	<u>172,074</u>	<u>149,147</u>
TOTAL OPERATING EXPENSES	<u>\$ 760,213</u>	<u>\$ 717,144</u>

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

-19-

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		Actual GAAP Basis	Actual Budget Basis	Variance
	Original	Final			with Final Budget
<u>Capital Outlay</u>					
Furniture - Admin Office	\$ 6,000	\$ 500	-	-	\$ 500
PSAP Office Furniture	6,000	500	-	-	500
Admin Office Equipment	7,000	7,000	\$6,672	\$6,672	328
PSAP Office Equipment	10,000	10,000	7,076	5,726	4,274
EOC Equipment	1,000	3,000	2,600	2,600	400
Central Dispatch Comm. Equip.	46,000	46,000	38,128	98,893	(52,893)
GIS	6,000	3,000	-	-	3,000
Software	10,000	5,000	386	386	4,614
Building Equipment	5,000	2,500	4,270	4,270	(1,770)
<u>Expenditures</u>					
Payroll	238,900	228,400	214,567	213,786	14,614
Payroll Taxes	18,300	18,300	15,766	15,766	2,534
Health Insurance	30,000	31,000	31,040	31,040	(40)
Retirement	28,900	27,100	24,982	24,982	2,118
Maps	8,000	6,000	5,766	5,766	234
Advertising	700	700	298	300	400
Legal & Accounting	9,000	7,000	6,916	6,916	84
Administration Fees	10,000	10,000	9,878	9,878	122
E911 Service Fee	90,000	90,000	82,649	82,649	7,351
Janitorial	10,000	10,000	9,728	9,728	272
Maintenance Contract Agreements	34,000	60,000	53,799	57,955	2,045
Map/Data Base Consultants	32,000	37,000	22,230	36,582	418
Professional Services	3,000	1,000	-	-	1,000
Pest Control	1,000	1,000	605	605	395
Repairs - Comm. Equipment	2,000	8,000	2,772	2,594	5,406
Repairs - Building & Grounds	15,000	15,000	6,240	6,375	8,625
Repairs - Office Equipment	4,000	2,000	900	900	1,100
Auto Repairs	5,000	5,000	30	30	4,970
Auto Fuel	3,000	3,000	674	747	2,253
Language Line	2,000	1,000	177	167	833
Office Supplies	6,000	3,000	1,388	1,472	1,528
PSAP Supplies	3,000	3,000	2,540	2,477	523
Postage	2,000	1,000	209	209	791
Utility - Electric	22,000	22,000	19,656	19,780	2,220
Utility - Water & Sewer	1,000	1,000	407	457	543
Telephone	16,000	16,000	14,649	15,843	157
Cell Phone & Pagers	2,000	2,000	1,025	1,116	884
PSAP Fax Lines	10,000	8,000	6,713	6,713	1,287
Generator Fuel	2,000	1,000	-	-	1,000
Board Meeting	3,000	3,000	2,940	2,940	60
Dues and Subscriptions	2,500	2,000	1,033	1,033	967
Workers Comp Insurance	1,500	500	253	457	43
Liability Insurance	9,000	4,000	4,336	3,454	546
Building Insurance	10,000	4,000	3,403	3,403	597
Equipment Insurance	3,000	2,000	1,605	1,605	395
Employee Dishonesty	3,000	3,000	1,106	2,425	575
Vehicle Insurance	3,000	1,000	655	689	311
Public Education	15,000	15,000	12,495	12,495	2,505
Seminars	7,000	27,000	24,886	24,886	2,114
Travel Expenses	3,000	1,000	-	-	1,000
Impairment Loss	1,000	1,000	26,457	16,793	(15,793)
Depreciation	161,700	169,000	172,074	172,074	(3,074)
Amortization	500	500	-	-	500
Totals	\$ 929,000	\$ 929,000	\$ 845,979	\$ 915,634	\$ 13,366

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

SUPPLEMENTAL SCHEDULES

For the Year Ended June 30, 2010

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Sevierville, Tennessee
SCHEDULE OF INSURANCE IN FORCE
June 30, 2010

<u>Liability:</u>	<u>Coverage:</u>
TML Risk Management Pool (TML):	
Bodily Injury, Property Damage and Personal Injury	\$300,000/700,000/300,000
Non-Tort Exposure	\$1,000,000 per occurrence
Automobile Bodily Injury and Property Damage Liability	\$300,000/700,000/300,000 (Includes uninsured motorist)
Public Officials Personal Errors and Omissions Liability	\$1,000,000 per occurrence
Auto Physical Damage	Uninsured Motorist \$300,000/100,000
<u>Property:</u>	
TML Risk Management Pool (TML):	
Buildings and Personal Property	\$2,473,746
Electronic Data Processing Equipment	\$974,946
Crime Coverage – Employee/Forgery/Theft/Computer	\$100,000
<u>Employee Dishonesty Coverage:</u>	
TML Risk Management Pool (TML):	
Chairman of the Board, Vice Chairman, Secretary, Treasurer, Coordinator and Staff Secretary – Blanket Coverage	\$100,000 each
<u>Workers' Compensation:</u>	
TML Risk Management Pool (TML):	
Bodily Injury by Accident or Disease, Including Death	\$300,000 Policy Limit 700,000
<u>Official Statutory Bonds:</u>	
Ohio Casualty Group	
Chairman of the Board, Vice Chairman, Secretary, Treasurer, E-911 Coordinator, and Administrative Assistant	\$100,000 each

SEVIER COUNTY COMMUNICATIONS DISTRICT
Sevierville, Tennessee
SCHEDULE OF INFORMATION REQUIRED BY THE
TENNESSEE EMERGENCY COMMUNICATIONS BOARD
June 30, 2010

PUBLIC SAFETY ANSWERING POINTS (PSAP)

PRIMARY

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

Central Dispatch
245 Bruce Street
Sevierville, TN 37864

SECONDARY BACKUP

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

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

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

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

Sevier County Emergency Communications District Coordinator:

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

Sevier County Emergency Communications District Chairman:

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

SEVIER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Sevierville, Tennessee

REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS

June 30, 2010

HICKMAN AND COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

110 Legacy View Way
Knoxville, TN 37918
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Member
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Certified Public Accountants

Member
Tennessee Society 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

Board of Directors
Sevier County Emergency Communications District
Sevierville, Tennessee

We have audited the financial statements of the Sevier County Emergency Communications District, a component unit of Sevier County, as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated August 31, 2010. The report on Sevier County Emergency Communications District was qualified for omitting a disclosure note on retirement commitments. We conducted our audit in accordance with Auditing Standards Generally Accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A material weakness is a significant deficiency, or combination of significant deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sevier County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Hickman and Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
Knoxville, Tennessee
August 31, 2010

