

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

FINANCIAL STATEMENTS

June 30, 2011 and 2010

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

Maryville, Tennessee
June 30, 2011 and 2010

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

INTRODUCTORY SECTION

June 30, 2011 and 2010

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

September 29, 2011

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 years ended June 30, 2011 and 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, 2011, the District has \$706,903 in bank accounts: checking, savings, and certificates of deposit. The District sets aside excess revenues from each monthly revenue received for future capital asset acquisitions.

Independent Audit

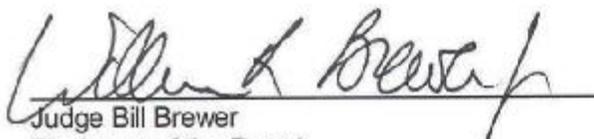
The financial statements of the District for the fiscal year ended June 30, 2011 have been audited by a firm of Independent Public Accountants, and their opinion is included in the Financial Section of this report.

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.

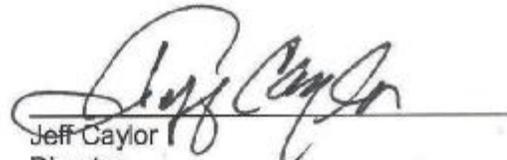
Acknowledgements

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, 2011 and 2010

Ingram Overholt & Bean, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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September 29, 2011
(Except for footnote 8 which is October 27, 2011)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements 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, 2011 and 2010, 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 District as of June 30, 2011 and 2010, 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 29, 2011, 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 29, 2011

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, 2011 and 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 Revenues, Expenses and Changes in Net Assets provide information about the District as a whole and present a long-term view of the District's finances.

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

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

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

FINANCIAL HIGHLIGHTS

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

	<u>6-30-11</u>	<u>6-30-10</u>	<u>6-30-09</u>
Telephone and Wireless company "911" fees	50.3%	34.5%	55.6%
State Emergency Communications Board			
Operational Funding	17.2	9.4	11.5
Appropriations from Blount County, Tennessee	15.1	9.8	14.8
Appropriations from City of Maryville, Tennessee	7.5	4.9	7.4
Appropriations from City of Maryville, Tennessee	7.5	4.9	7.4
Appropriations from City of Townsend, Tennessee	.3	0.0	.3
State reimbursement	1.5	.1	1.2
Capital Contribution from Blount County, TN	0.0	0.0	1.0
Interest income and terminal fees	.6	1.0	.8
Gain on sale of property	<u>0.0</u>	<u>35.4</u>	<u>0.0</u>
Total funding	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Operational costs for the E911 Center were \$1,989,254 and \$1,997,463 for the fiscal years ended June 30, 2011 and 2010, respectively. The .4% decrease was chiefly the result of adhering to the district's budget constraints.

NET ASSETS

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 848,439	\$ 953,955	\$ 991,288
Capital assets	3,492,431	3,647,209	1,326,659
Other noncurrent assets	11,106	11,701	-
Total Assets	4,351,976	4,612,865	2,317,947
Current liabilities	112,180	203,070	179,397
Long-term debt	1,162,201	1,200,826	-
Total Liabilities	1,274,381	1,403,896	179,397
Net Assets:			
Invested in capital assets, net of related debt	2,290,913	2,403,977	1,326,659
Unrestricted	786,682	804,992	811,891
Total Net Assets	3,077,595	3,208,969	2,138,550
Total Revenues	2,007,529	3,076,342	2,041,908
Total Expenses	2,038,903	2,005,923	1,957,133
Transfer to primary government	100,000	-	-
Change in Net Assets	(131,374)	1,070,419	84,775

Net assets of the District decreased by 4.1% 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 2.3%. This was a result of using current assets to transfer funds to the primary government.

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>2011</u>	<u>2010</u>	<u>2009</u>
Working Capital (the amount by which current assets exceed liabilities)	\$ 736,259	\$ 750,885	\$ 811,891
Current Ratio (compares current assets to liabilities – as an indicator of the ability to pay current obligations)	7.6	4.7	5.5
Days Cash and Investments (represents the number of days normal operations could continue with no revenue collections)	142	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)	(3.0%)	.4%	3.7%

CAPITAL ASSETS

At the fiscal year ended June 30, 2011, the District had \$3,492,431 invested in net capital assets as outlined below (a 4.2% decrease from the last year).

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$ 21,038	\$ 21,038	\$ 61,038
Buildings	2,933,100	2,992,971	183,792
Improvements	7,740	7,940	232,213
Emergency 911 Equipment	437,611	518,782	533,184
Office furniture and equipment	85,523	95,762	8,050
Vehicle	7,419	10,716	14,013
Construction in progress	<u>-</u>	<u>-</u>	<u>294,369</u>
Totals	<u>\$ 3,492,431</u>	<u>\$ 3,647,209</u>	<u>\$ 1,326,659</u>

DEBT

At the fiscal year end, June 30, 2011 and 2010, the District had outstanding notes payable of \$1,201,518 and \$1,243,232, respectively. Principal repayments in the amount of \$41,714 were made during the current fiscal year. Principal amounts due in the coming fiscal year amount to \$39,317.

BUDGETS

The variances between the originally adopted budget for the fiscal year ended June 30, 2011, and the final budget were caused by primarily by increased expenses in the areas related directly to the new facility: utilities, insurance, and depreciation.

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, 2011 and 2010

<u>ASSETS</u>	<u>Business-type Activities</u>	
	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash	\$ 449,922	\$ 497,279
Certificates of Deposit	256,981	329,509
Accounts receivable	123,574	127,167
Prepaid expense	<u>17,962</u>	<u>-</u>
Total Current Assets	<u>848,439</u>	<u>953,955</u>
PROPERTY, PLANT, AND EQUIPMENT:		
Land	21,038	21,038
Building and improvements	3,035,603	3,019,785
Communications equipment	919,416	919,416
Office equipment and furniture	202,087	202,087
Vehicles	<u>16,486</u>	<u>16,486</u>
	4,194,630	4,178,812
Less: Accumulated depreciation	<u>(702,199)</u>	<u>(531,603)</u>
Net Property, Plant, and Equipment	<u>3,492,431</u>	<u>3,647,209</u>
OTHER ASSETS		
Deferred costs	<u>11,106</u>	<u>11,701</u>
Total Assets	<u>\$ 4,351,976</u>	<u>\$ 4,612,865</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 40,288	\$ 128,555
Accrued payroll and related benefits	32,575	32,109
Notes Payable - Current	<u>39,317</u>	<u>42,406</u>
Total Current Liabilities	112,180	203,070
LONG-TERM LIABILITIES:		
Notes payable, net of current portion	<u>1,162,201</u>	<u>1,200,826</u>
Total Liabilities	<u>1,274,381</u>	<u>1,403,896</u>
NET ASSETS:		
Invested in capital assets, net of related debt	2,290,913	2,403,977
Unrestricted	<u>786,682</u>	<u>804,992</u>
Total Net Assets	<u>3,077,595</u>	<u>3,208,969</u>
Total Liabilities and Net Assets	<u>\$ 4,351,976</u>	<u>\$ 4,612,865</u>

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

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

Maryville, Tennessee

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Fiscal Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Emergency Telephone Service Revenue	\$ 732,463	\$ 791,686
State Emergency Communications Board:		
Shared Wireless Revenue	277,516	270,081
Operational Funding	<u>345,095</u>	<u>290,009</u>
Total Operating Revenues	<u>1,355,074</u>	<u>1,351,776</u>
OPERATING EXPENSES:		
Salaries	1,061,408	1,078,641
Employee benefits	429,415	436,924
Contracted services	34,570	41,030
Rentals - equipment	90,087	90,976
Maintenance and repairs	76,314	73,088
Supplies and materials	22,279	28,238
Utilities	69,985	88,319
Other charges	13,943	17,654
Insurance	20,062	27,788
Depreciation	170,596	114,706
Amortization	<u>595</u>	<u>99</u>
Total Operating Expenses	<u>1,989,254</u>	<u>1,997,463</u>
OPERATING INCOME (LOSS)	<u>(634,180)</u>	<u>(645,687)</u>
NON-OPERATING REVENUES (EXPENSES):		
Local government contributions	610,365	610,367
State reimbursement	30,000	30,000
Interest income	5,923	14,034
Terminal fees	6,167	17,179
Interest expense	(49,649)	(8,460)
Gain from sale of property	<u>-</u>	<u>1,052,986</u>
Total Non-Operating Revenues	<u>602,806</u>	<u>1,716,106</u>
INCOME (LOSS) BEFORE TRANSFERS	(31,374)	1,070,419
TRANSFERS		
Transfer to primary government	<u>(100,000)</u>	<u>-</u>
Change in Net Assets	(131,374)	1,070,419
NET ASSETS – BEGINNING OF YEAR	<u>3,208,969</u>	<u>2,138,550</u>
NET ASSETS – END OF YEAR	<u>\$ 3,077,595</u>	<u>\$ 3,208,969</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts for telephone usage fees	\$ 1,013,572	\$ 1,066,115
Other Operating Receipts	345,095	329,163
Payments to suppliers	(427,303)	(326,979)
Payments for salaries and fringe benefits	<u>(1,490,357)</u>	<u>(1,515,091)</u>
Net Cash Provided(Used) by Operating Activities	<u>(558,993)</u>	<u>(446,792)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(15,818)	(2,880,079)
Proceeds from debt issue	-	1,250,000
Repayment of debt	(41,714)	(6,768)
Interest paid	(49,649)	(8,460)
Proceeds from the sale of property	<u>-</u>	<u>1,497,809</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(107,181)</u>	<u>(147,498)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Local government contributions	610,365	610,367
State Reimbursement	30,000	30,000
Transfer to primary government	<u>(100,000)</u>	<u>-</u>
Net Cash Provided from Non Capital Financing Activities	<u>540,365</u>	<u>640,367</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash deposits and certificates of deposit	5,923	14,034
Purchase of Certificates of Deposits	(1,346)	(4,462)
Proceeds from Certificates of Deposit	<u>73,875</u>	<u>-</u>
Net Cash Provided from Investing Activities	<u>78,452</u>	<u>9,572</u>
NET CHANGE IN CASH	(47,357)	55,649
CASH AT BEGINNING OF YEAR	<u>497,279</u>	<u>441,630</u>
CASH AT END OF YEAR	<u>\$ 449,922</u>	<u>\$ 497,279</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (634,180)	\$ (645,687)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Cash flows reported in other categories:		
Depreciation and amortization expense	171,191	114,805
Terminal fees	6,167	17,179
Change in assets and liabilities:		
Receivables	3,593	97,444
Deferred costs	-	(11,800)
Prepaid expenses	(17,962)	-
Accounts payable	(88,268)	(19,207)
Accrued expenses	466	474
Net cash provided (used) by operating activities	<u>\$ (558,993)</u>	<u>\$ (446,792)</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, 2011 and 2010

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**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011 and 2010

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, 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 issued 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 Revenues, Expenses and Changes in Net Assets 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, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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 Revenues, Expenses and Changes in Net Assets, 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 Revenues, Expenses and Changes in Net Assets, 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, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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, 2011 and 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.

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

Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011 and 2010

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.

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

Maryville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011 and 2010

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.

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

Maryville, Tennessee

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011 and 2010

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.

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011 and 2010

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, 2011:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Accumulated Depreciation	Net Value June 30, 2011
NONDEPRECIABLE:						
Land	\$ 21,038	\$ -	\$ -	\$ 21,038	\$ -	\$ 21,038
DEPRECIABLE:						
Building	3,011,795	15,818	-	3,027,613	94,513	2,933,100
Building improvements	7,990	-	-	7,990	250	7,740
Emergency equipment	919,416	-	-	919,416	481,805	437,611
Office equipment and furniture	202,087	-	-	202,087	116,564	85,523
Vehicle	16,486	-	-	16,486	9,067	7,419
	<u>4,157,774</u>	<u>15,818</u>	<u>-</u>	<u>4,173,592</u>	<u>702,199</u>	<u>3,471,393</u>
Totals	<u>\$ 4,178,812</u>	<u>\$ 15,818</u>	<u>\$ -</u>	<u>\$ 4,194,630</u>	<u>\$ 702,199</u>	<u>\$ 3,492,431</u>

FISCAL YEAR ENDED JUNE 30, 2010:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Accumulated Depreciation	Net Value June 30, 2010
NONDEPRECIABLE:						
Land	\$ 61,038	\$ -	\$ 40,000	\$ 21,038	\$ -	\$ 21,038
Construction in progress	294,369	2,687,917	2,982,286	-	-	-
	<u>355,407</u>	<u>2,687,917</u>	<u>3,022,286</u>	<u>21,038</u>	<u>-</u>	<u>21,038</u>
DEPRECIABLE:						
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	885,870	63,546	-	919,087	400,634	518,782
Office equipment and furniture	110,970	91,117	-	202,087	106,325	95,762
Vehicle	16,486	-	-	16,486	5,770	10,716
	<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>

Depreciation expense for the fiscal year ended June 30, 2011 and 2010, amounted to \$170,596 and \$114,706, respectively.

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011 and 2010

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. Subsequent to June 30, 2011, the note was renewed. Monthly principal and interest payments of \$7,569 are due beginning August 15, 2011. The note matures July 15, 2014. Debt maturities detailed below are based on the modified loan.

Changes in Notes Payable are as follows:

	Year Ended June 30	
	2011	2010
Beginning Balance	\$ 1,243,232	\$ -
Note Proceeds	-	1,250,000
Note Repayments	(41,714)	(6,768)
Ending Balance	\$ 1,201,518	\$ 1,243,232

Debt maturities are as follows:

Year Ending June 30,	Total Note Requirements	Principal	Interest
2012	\$ 87,267	\$ 39,317	\$ 47,950
2013	90,834	44,586	46,248
2014	90,834	46,426	44,408
2015	1,074,804	1,071,189	3,615
Totals	\$ 1,343,739	\$ 1,201,518	\$ 142,221

Total interest incurred during the year ended June 30, 2011 was \$49,649. Total interest incurred during the year ended June 30, 2010 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 \$7,474 per month.

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011 and 2010

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 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 PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS>.

Funding Policy:

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, 2011 was 11.67% 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, 2011 and 2010, the District's annual pension cost of \$ 123,812 and \$117,183 to TCRS was equal to their required and actual contributions. The required contribution was determined as part of the July 1, 2009 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 3.0% annual rate of inflation; (c) 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); (d) projected 3.5% annual increase in the Social Security wage base; and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that

**EMERGENCY COMMUNICATIONS DISTRICT
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 6 – EMPLOYEES' RETIREMENT PLAN (Continued)

Annual Pension Cost (Continued):

smooth the effect of short-term volatility in the market value of equities over a ten (10)-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, 2009 was sixteen (16) years. An actuarial valuation was performed as of July 1, 2009 which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension Cost(APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/11	\$ 123,812	100.00%	\$ -
6/30/10	117,183	100.00%	-
6/30/09	113,398	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, 2011, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is October 27, 2011, which is the date on which the financial statements were issued.

On October 14, 2011 a lawsuit was filed in Blount County Circuit Court naming the District as one of several defendants. The plaintiff is alleging that negligence on the part of the defendants lead to his mother's death and is seeking damages in the amount of ten million dollars. While the suit is in its early stages, management believes it is without merit and intends to vigorously defend itself. The District's insurance carrier is providing legal representation.

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

SUPPLEMENTAL INFORMATION
June 30, 2011

**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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2011 Actual</u>	Variance with Final Budget - Positive (Negative)
OPERATING REVENUES:				
Emergency Telephone Service Charge	\$ 750,000	\$ 750,000	\$ 732,463	\$ (17,537)
State Emergency Communications Board - Shared Wireless Revenue	270,000	270,000	277,516	7,516
Operating Funding	<u>345,095</u>	<u>345,095</u>	<u>345,095</u>	<u>-</u>
Total Operating Revenues	<u>1,365,095</u>	<u>1,365,095</u>	<u>1,355,074</u>	<u>(10,021)</u>
OPERATING EXPENSES:				
Salaries and Wages:				
Director/Assistant Director	123,406	124,566	124,566	-
Administrative Personnel	124,482	124,842	124,842	-
Dispatch Supervisors	147,066	147,066	144,334	2,732
Dispatchers	602,473	602,473	583,435	19,038
Data Processing Personnel	80,164	80,164	80,163	1
Overtime	<u>10,000</u>	<u>10,000</u>	<u>4,068</u>	<u>5,932</u>
Total Salaries and Wages	<u>1,087,591</u>	<u>1,089,111</u>	<u>1,061,408</u>	<u>27,703</u>
Employee Benefits:				
Social Security taxes	67,962	67,962	65,716	2,246
Medicare taxes	15,894	15,894	15,369	525
Employee Insurance	235,203	235,431	223,763	11,668
Unemployment compensation taxes	1,200	1,200	756	444
Retirement Contributions	<u>118,000</u>	<u>123,811</u>	<u>123,811</u>	<u>-</u>
Total Employee Benefits	<u>438,259</u>	<u>444,298</u>	<u>429,415</u>	<u>14,883</u>
Contracted Services:				
Address/Mapping Services	400	400	-	400
Audit Services	8,500	8,500	8,000	500
Accounting Services	480	4,800	4,800	-
Janitorial Service	12,000	12,080	12,080	-
Legal Services	500	1,953	1,953	-
NCIC/TBI/TIES Services	2,224	2,240	2,240	-
Service Providers	6,000	6,000	4,741	1,259
Pest Control	<u>600</u>	<u>756</u>	<u>756</u>	<u>-</u>
Total Contracted Services	<u>30,704</u>	<u>36,729</u>	<u>34,570</u>	<u>2,159</u>
Lease/Rental:				
Communications Equipment	<u>92,268</u>	<u>92,268</u>	<u>90,087</u>	<u>2,181</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2011 Actual</u>	Variance with Final Budget Positive (Negative)
OPERATING EXPENSES (Continued):				
Maintenance and Repairs:				
Radio Consoles	11,160	11,665	11,665	-
Lawn Maintenance	1,200	2,815	2,815	-
Maintenance Agreements	44,000	44,000	43,326	674
Building Maintenance/Repairs	4,000	5,818	5,818	-
Language Line	350	350	281	69
Vehicle	500	500	-	500
Internet	<u>15,960</u>	<u>15,960</u>	<u>12,409</u>	<u>3,551</u>
Total Maintenance and Repairs	<u>77,170</u>	<u>81,108</u>	<u>76,314</u>	<u>4,794</u>
Supplies and Materials:				
Postage, Printing and Copies	1,000	1,000	784	216
Uniforms	3,000	3,000	1,764	1,236
Office Supplies	<u>20,000</u>	<u>20,000</u>	<u>19,731</u>	<u>269</u>
Total Supplies and Materials	<u>24,000</u>	<u>24,000</u>	<u>22,279</u>	<u>1,721</u>
Utilities:				
Electric	30,000	39,136	39,135	1
Propane gas	5,000	3,310	1,537	1,773
Water	1,200	3,762	3,761	1
Cell Phones and Pagers	6,500	6,500	6,461	39
Telephone	<u>19,000</u>	<u>19,100</u>	<u>19,091</u>	<u>9</u>
Total Utilities	<u>61,700</u>	<u>71,808</u>	<u>69,985</u>	<u>1,823</u>
Other Charges:				
Dues and Memberships	3,000	3,000	2,701	299
Travel and Training Expense	9,500	10,291	10,290	1
Employee Testing	500	500	240	260
Other	<u>750</u>	<u>750</u>	<u>712</u>	<u>38</u>
Total Other Charges	<u>13,750</u>	<u>14,541</u>	<u>13,943</u>	<u>598</u>
Insurance:				
Liability Insurance	8,000	8,000	6,433	1,567
Commercial Property Insurance	7,500	8,300	8,379	(79)
Workmen's Compensation Insurance	4,200	4,200	3,832	368
Surety Bonds	<u>1,500</u>	<u>1,500</u>	<u>1,418</u>	<u>82</u>
Total Insurance	<u>21,200</u>	<u>22,000</u>	<u>20,062</u>	<u>1,938</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2011 Actual</u>	Variance with Final Budget Positive (Negative)
Depreciation	<u>148,000</u>	<u>170,597</u>	<u>170,596</u>	<u>1</u>
Amortization	<u>-</u>	<u>595</u>	<u>595</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>1,994,642</u>	<u>2,047,055</u>	<u>1,989,254</u>	<u>57,801</u>
OPERATING INCOME (LOSS)	<u>(629,547)</u>	<u>(681,960)</u>	<u>(634,180)</u>	<u>47,780</u>
Non-operating Revenues (Expenses):				
Contributions from Primary Governments:				
Blount County, Tennessee	302,133	302,133	302,133	-
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	30,000	30,000	30,000	-
Interest Income	20,000	20,000	5,923	(14,077)
Terminal Fees	6,000	6,000	6,167	167
Interest expense	<u>(50,000)</u>	<u>(50,000)</u>	<u>(49,649)</u>	<u>351</u>
Total Non-operating Revenues (Expenses)	<u>616,367</u>	<u>616,367</u>	<u>602,806</u>	<u>(13,561)</u>
INCOME (LOSS) BEFORE TRANSFERS	(13,180)	(65,593)	(31,374)	34,219
TRANSFERS:				
Transfer to primary government	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
CHANGE IN NET ASSETS	(13,180)	(165,593)	(131,374)	34,219
NET ASSETS – BEGINNING OF YEAR	<u>3,208,969</u>	<u>3,208,969</u>	<u>3,208,969</u>	<u>-</u>
NET ASSETS – END OF YEAR	<u>\$3,195,789</u>	<u>\$3,043,376</u>	<u>\$3,077,595</u>	<u>\$ 34,219</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, 2011

<u>Insurance Company</u>	<u>Policy Number</u>	<u>Period</u>	<u>Description</u>
Tennessee Municipal League Risk Management Pool	TML-0381-03	11-23-10 to 11-23-11	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, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>	<u>Accumulated Depreciation</u>	<u>Net Value June 30, 2011</u>
NONDEPRECIABLE:						
Land	\$ 21,038	\$ -	\$ -	\$ 21,038	\$ -	\$ 21,038
DEPRECIABLE:						
Building	3,011,795	15,818	-	3,027,613	94,513	2,933,100
Building improvements	7,990	-	-	7,990	250	7,740
Emergency equipment	919,416	-	-	919,416	481,805	437,611
Office equipment and furniture	202,087	-	-	202,087	116,564	85,523
Vehicle	<u>16,486</u>	<u>-</u>	<u>-</u>	<u>16,486</u>	<u>9,067</u>	<u>7,419</u>
	<u>4,157,774</u>	<u>15,818</u>	<u>-</u>	<u>4,173,592</u>	<u>702,199</u>	<u>3,471,393</u>
Totals	<u>\$ 4,178,812</u>	<u>\$ 15,818</u>	<u>\$ -</u>	<u>\$ 4,194,630</u>	<u>\$ 702,199</u>	<u>\$ 3,492,431</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, 2011

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**
Maryville, Tennessee
SCHEDULE OF STATE FINANCIAL ASSISTANCE
June 30, 2011

<u>Program Name</u>	<u>Grant/Contract Number</u>	<u>Grantpr Agency</u>	<u>Balance 7-1-10</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance 6-30-11</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, 2011



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 29, 2011

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 Emergency Communications District of Blount County, Tennessee, a component unit of Blount County, Tennessee, as of and for the year ended June 30, 2011, and have issued our report thereon dated September 29, 2011. 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.

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, grant agreements, and other matters 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**
Maryville, Tennessee
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

Disposition of prior year's findings:

2010-01 Credit Card Receipts

Corrective actions were taken during the current year with respect to retaining credit card charge receipts. No repeat finding was noted.