Financial Statements

UNION COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Year Ended June 30, 2009

TABLE OF CONTENTS

	Page Nos.
INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-5
FINANCIAL STATEMENTS	
Statement of Net Assets	6
Statement of Revenue, Expenses and Change in Net Assets	7-8
Statement of Cash Flows	9-10
Notes to the Financial Statements	11-17
REQUIRED SUPPLEMENTARY INFORMATION	
Funding Progress - Political Subdivision Pension Plan Supplementary Information	18
OTHER SUPPLEMENTARY INFORMATION	
Statement of Revenue and Expenses - Actual and Budget	19-21
Expenditures of State Awards	22
Public Safety Answering Points	23
Roster of Officials	24
INTERNAL CONTROL AND COMPLIANCE	
Independent 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*	25-26
Findings and Responses	27

MEH MITCHELL EMERT & HILL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Union County Emergency Communications District
Maynardville, Tennessee

We have audited the accompanying statement of net assets of Union County Emergency Communications District, a component unit of Union County, Tennessee, as of June 30, 2009, and the related statement of revenue, expenses and change in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States of America. 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 opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Union County Emergency Communications District as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 to 5 and the required supplementary information on page 18 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit this information and express no opinion thereon.

416 Erin Drive • Knoxville, Tennessee 37919 • (865) 522-2396 • Fax (865) 523-6318

Our audit was conducted for the purpose of forming an opinion on Union County Emergency Communications District's basic financial statements. The accompanying supplementary information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of state awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2010 on our consideration of Union County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and other matters and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mitchell Emert & Hill

April 27, 2010

Union County E-911

901 Main Street Suite 219
Maynardville, TN 37807

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Union County Emergency Communications District, we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ending June 30, 2009. Please read it in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditors' report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offer both short-term and long-term financial information about its activities. The Statement of Net Assets includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligations to the District's creditors (liabilities).

All of the current year's revenue and expenses are accounted for in the Statement of Revenue, Expenses, and Change in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

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 Revenue, Expenses and Change in Net Assets report information about the District's activities in a way that will help answer this question. The two statements report the net assets of the District and the changes in them. One can think of the District's net assets—the difference between assets and liabilities as one way to measure 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. A summary of the District's net assets and changes in them is presented below:

SUMMARIZED FINANCIAL INFORMATION

	2009	2008
NET ASSETS		
Current assets	$ 574,678	$ 602,998
Capital assets, net of accumulated depreciation	296,583	226,976
Total assets	$ 871,261	$ 829,974
Liabilities	$ 4,322	$ 0
Net assets:		
Invested in capital assets	296,583	226,976
Unrestricted	570,355	602,998
	866,939	829,974
Total liabilities and net assets	$ 871,261	$ 829,974

CHANGES IN NET ASSETS		
Operating revenue	$ 262,914	$ 274,809
Operating expenses	410,778	389,765
Operating (loss)	(147,864)	(114,956)
Non-operating revenue	184,828	159,915
Change in net assets	36,965	44,959
Beginning net assets	829,974	785,015
Ending net assets	$ 866,939	$ 829,974

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As can be seen from the summarized financial information, the District's net assets have increased $36,965 during the year ended June 30, 2009. Operating revenue decreased at a rate of 35% while operating expenses increased by 5%. The decrease in operating revenue is due primarily to a operating grant not received from the State of Tennessee Emergency Communications District Board. The increase in operating expenses is due primarily to additional dispatchers and other personnel added to the District's staff.

THE DISTRICT'S NET ASSETS

The District completed the year with net assets of $866,939 which is $36,965 more than last year's ending net assets of $829,974.

BUDGETARY HIGHLIGHTS

The District adopts an annual operating budget, which includes proposed expenses and the means for paying these expenses. As conditions change during the year, the budget may be amended to prevent budget overruns.

Income from residential phone lines decreased from revenue for the prior year and was $17,177 less than the budgeted income. State shared wireless income increased from revenue for the prior year and was $21,091 more than the budgeted income. Operating income decreased from revenue for the prior year and was $3,914 more than the budgeted income. Actual expenses were $36,635 less than budgeted amount due primarily to a decline in personnel service expenses.

.

CAPITAL ASSETS

The District's investment in capital assets amounts to $452,545 with accumulated depreciation of $155,962. Capital assets include the leasehold improvements, communications equipment, vehicles, office furniture and office equipment.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing the Union County Emergency Communications District is the potential decrease in revenue generated from landline telephones. Many residents now use cell phones for their residential lines. While the increase in cell phone use is generating revenue, only a portion of that revenue is being returned to each 911 district under the current system being used by the state for distributing shared wireless fees. The uncertainty of landline use and income from shared wireless fees has been a problem in estimating revenue for budget preparation. However, recent reports from telephone companies indicate that monthly losses of landline revenue may be stabilizing and may remain at a more manageable level in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The 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 question or need additional information, contact the Director of the Union County Emergency Communications District at 865-992-9366.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET ASSETS

June 30, 2009

ASSETS		
CURRENT ASSETS		
Cash		$ 473,216
Certificate of deposit		35,288
Accounts receivable		8,077
Due from TECB		52,627
Prepaid expenses		5,469
TOTAL CURRENT ASSETS		574,678
CAPITAL ASSETS		
Communications equipment	$ 330,887	
Office equipment	23,185	
Machinery and equipment	12,548	
Leasehold improvements	85,925	
	452,545	
Accumulated depreciation	(155,962)	296,583
TOTAL ASSETS		$ 871,261

See the accompanying notes to the financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Payroll deductions payable		$ 4,322
NET ASSETS		
Invested in capital assets	$ 296,583	
Unrestricted	570,355	866,939
TOTAL LIABILITIES AND NET ASSETS		$ 871,261

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

Year Ended June 30, 2009

OPERATING REVENUE		
Emergency telephone service charges		$ 125,823
TECB-shared wireless charge		50,922
TECB-operational funding program		86,169
TOTAL OPERATING REVENUE		262,914
OPERATING EXPENSES		
Salaries and wages:		
Director	$ 30,238	
Dispatchers	203,436	
Overtime	2,002	
Part-time personnel	15,926	251,601
Employee benefits:		
Payroll taxes	20,371	
Medical insurance	11,666	
Retirement	12,441	44,479
Contracted services:		
Accounting services	8,502	
Auditing services	3,550	
Fees paid to service providers	13,274	
Janitorial services	1,405	
Lease/Rental-furniture and fixtures	2,063	
Lease/Rental-building and facilities	4,800	
NCIC/TBI/TIES expenses	6,435	
Maintenance and repairs-buildings and facilities	8,696	
Maintenance and repairs-communications equipment	572	
Maintenance and repairs-office equipment	7,458	
Mainteancne and reparis-vehicles	27	56,783

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS
(continued)

Year Ended June 30, 2009

Supplies and materials:		
Office supplies	3,932	
Postage	261	
Small equipment purchases	262	
Uniforms	1,448	
Utilities-electric	1,636	
Utilities-general telephone	6,164	13,703
Other charges:		
Dues and memberships	393	
Training	6,162	
Insurance	4,264	
Travel	2,328	
Miscellaneous	263	13,409
Depreciation		30,803
TOTAL OPERATING EXPENSES		410,778
(LOSS) FROM OPERATIONS		(147,864)
NON-OPERATING REVENUE		
Contributions from primary government	151,000	
TECB-grants	31,306	
Interest income	2,522	184,828
CHANGE IN NET ASSETS		36,965
NET ASSETS AT THE BEGINNING OF THE YEAR		829,974
NET ASSETS AT THE END OF THE YEAR		$ 866,939

See the accompanying notes to the financial statements.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Cash received from telephone charges		$ 220,816
Cash paid to suppliers		(114,051)
Cash paid to employees		(260,104)
NET CASH (USED) BY OPERATING ACTIVITIES		(153,339)
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets		(81,808)
CASH PROVIDED(USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from primary government	$ 151,000	
TECB-grants	10,000	
NET CASH PROVIDED BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES		161,000
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
Interest received	2,522	
(Increase) in certificate of deposit	(1,219)	
NET CASH PROVIDED BY INVESTING ACTIVITIES		1,303
NET (DECREASE) IN CASH		(72,845)
CASH AT THE BEGINNING OF THE YEAR		546,061
CASH AT THE END OF THE YEAR		$ 473,216

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS
(continued)

Year Ended June 30, 2009

RECONCILIATION OF (LOSS) FROM OPERATIONS TO NET CASH (USED) BY OPERATING ACTIVITIES		
(Loss) from operations		$ (147,864)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:		
Depreciation	$ 30,803	
(Increase)decrease in:		
Accounts receivable	3,362	
Due from TECB	(45,460)	
Increase in payroll deductions payable	5,821	(5,475)
NET CASH (USED) BY OPERATING ACTIVITIES		$ (153,339)

See the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE A - DESCRIPTION OF ORGANIZATION

Union County Emergency Communications District (the District) was established on October 16, 1990, pursuant to the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The District is responsible for furnishing local emergency telephone service and a primary emergency telephone number for the residents of Union County, Tennessee. The District is governed by a nine-member Board appointed by the Board of Commissioners of Union County, Tennessee. The Board has the authority to levy an emergency telephone service charge to be used to fund the operations of the District. The District began collecting telephone user fees on February 1, 1991, and began operations during the 1992-93 fiscal year.

The District is considered a component unit of Union County, Tennessee because the Union County Mayor appoints, and the Union County Board of Commissioners affirms, the District's Board of Directors and must approve most debt issued by the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The District uses the accrual basis of accounting. Revenue is recognized when earned and measurable, and expenses are recognized when the liability is incurred. Operating revenue is revenue that is generated from the primary operations of the District. All other revenue is reported as non-operating revenue. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as non-operating expenses.

The District follows all pronouncements of the Governmental Accounting Standards Board (GASB) and pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989. The District has not elected to follow FASB pronouncements issued after November 30, 1989.

GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset groups:

Invested in capital assets: This category includes capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2009 has been calculated as follows:

Capital assets	$ 452,545
Accumulated depreciation	(155,962)
	$ 296,583

Restricted: This category includes net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District had no restricted net assets as of June 30, 2009.

Unrestricted: This category includes net assets that are not subject to externally imposed stipulations and that do not meet the definition of "restricted" or "invested in capital assets". Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Accounts Receivable

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2009, no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets, which include property and equipment, are recorded at cost and defined by the District as assets with an initial, individual cost of $5,000 or more. Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to thirty years.

Operating Budget

The District is required by state law to adopt an annual operating budget. The Board of Directors approves the original budget and any amendments, and maintains the legal level of control at the line item level. The budget is prepared on the accrual basis of accounting. All appropriations lapse at the end of the year.

NOTE C - CASH

Cash is stated at cost, which approximates market value. The District considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

State of Tennessee law authorizes the District to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the state treasurer's local government investment pool. The pool contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool. Although the District may participate in the state investment pool, it elects not to.

District policy dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the state collateral pool or be deposited in an escrow account in another institution for the benefit of the District and must be a minimum of 105% of the value of the deposits placed in the institution less the amount protected by federal deposit insurance. The state collateral pool is administered by the State of Tennessee. Members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional agreement, public fund accounts covered by the pool are considered to be insured in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements.*

All of the District’s cash and cash equivalent balances at June 30, 2009 were either insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the District’s agent in the District’s name.

NOTE D - CAPITAL ASSETS

	Balance 7/1/08	Additions	Retirements	Balance 6/30/09
Capital assets being depreciated				
Communications equipment	$ 322,144	$ 8,743	$ 0	$ 330,887
Leasehold improvements	3,200	82,725	0	85,925
Office equipment	14,243	8,942	0	23,185
Machinery and equipment	12,548	0	0	12,548
	352,135	100,410	0	452,545
Accumulated depreciation				
Communications equipment	(100,882)	(27,778)	0	(128,660)
Leasehold improvements	(853)	(949)	0	(1,802)
Office equipment	(14,081)	(1,395)	0	(15,476)
Machinery and equipment	(9,343)	(682)	0	(10,024)
	(125,159)	(30,803)	0	(155,962)
	$ 226,976	$ 69,607	$ 0	$ 296,583

NOTE E - PENSION 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). 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 5 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 5 years of service who become disabled and cannot engage in gainful employment. There is no service requirement for a disability that is the result of an accident or injury occurring while the member was in the performance of his duties.

Members joining the system after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in the 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 District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of the 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://treasury.state.tn.us/tcrs/PS/.

Funding Policy

The District requires employees to contribute 5.0 % of earnable compensation. The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2009 was 7.11% 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 year ended June 30, 2009, the District’s annual pension cost of $14,416 to TCRS was equal to the 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% a year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 0 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Year Ended	Annual Pension Cost(APC)	Percentage of APC Contribution	Net Pension Obligation
6/30/09	$ 14,416	100.00%	$ 0
6/30/08	13,391	100.00	0
6/30/07	0	100.00	0

Funded Status and Funding Progress

The District elected to participate in the Political Subdivision Pension Plan (PSPP), effective July 1, 2007. Therefore funding status and funding progress information as of that date are not available.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

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

Actuarial valuation date	7/1/07
Actuarial value of plan assets	$ 0
Actuarial accrued liability (AAL)	N/A
Unfunded AAL (UAAL)	N/A
Funded ratio	N/A
Covered payroll	0
UAAL as a percentage of covered payroll	N/A

NOTE F - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss, including general liability and workers' compensation coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE G - LEASE OBLIGATIONS

The District leases its facilities from Union County, Tennessee under an operating lease. The terms of the lease provide for lease payments of $4,800 per year.

REQUIRED SUPPLEMENTARY INFORMATION

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

FUNDING PROGRESS – POLITICAL SUBDIVISION PENSION PLAN SUPPLEMENTARY INFORMATION

June 30, 2009

Actuarial valuation date		7/1/07
Actuarial value of plan assets	$	0
Actuarial accrued liability (AAL)		N/A
Unfunded AAL (UAAL)		N/A
Funded ratio		N/A
Covered payroll		0
UAAL as a percentage of covered payroll		N/A

The Governmental Accounting Standards Board (GASB) requires the plan to prepare Funding Progress using the Entry Age actuarial cost method. The requirement to present Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

Year Ended June 30, 2009

	Actual (Accrual basis)	Budget (Accrual basis)	Variance Over (Under)
OPERATING REVENUE			
Emergency telephone service charges	$ 125,823	$ 143,000	$ (17,177)
TECB-shared wireless charge	50,922	29,831	21,091
TECB-operational funding program	86,169	86,169	0
TOTAL OPERATING REVENUE	262,914	259,000	3,914
OPERATING EXPENSES			
Salaries and wages:			
Director	30,238	30,238	0
Dispatchers	203,436	209,218	(5,782)
Overtime	2,002	2,002	0
Part-time personnel	15,926	15,000	926
	251,601	256,458	(4,856)
Employee benefits:			
Payroll taxes	20,371	19,619	752
Medical insurance	11,666	9,000	2,666
Retirement	12,441	18,234	(5,793)
	44,479	46,853	(2,374)
Contracted services:			
Accounting services	8,502	8,502	0
Addressing/mapping	0	500	(500)
Audit services	3,550	3,550	0
Data processing services	0	500	(500)
Fees paid to service providers	13,274	22,000	(8,726)
Janitorial services	1,405	600	805
Lease/Rental-furniture and fixtures	2,063	2,500	(437)
Lease/Rental-building and facilities	4,800	4,800	0
Pest control	0	500	(500)
NCIC/TBI/TIES expenses	6,435	5,000	1,435

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET
(continued)

Year Ended June 30, 2009

	Actual (Accrual basis)	Budget (Accrual basis)	Variance Over (Under)
Contracted services(continued):			
Maintenance and repairs-buildings and facilities	8,696	11,000	(2,304)
Maintenance and repairs-communications equipment	572	8,000	(7,428)
Maintenance and repairs-office equipment	7,458	17,000	(9,542)
Maintenance and repairs-vehicles	27	500	(473)
	56,783	84,952	(28,169)
Supplies and materials:			
Office supplies	3,932	2,500	1,432
Data processing supplies	0	500	(500)
Postage	261	500	(239)
Small equipment purchases	262	500	(238)
Uniforms	1,448	3,000	(1,553)
Utilities-electric	1,636	0	1,636
Utilities-general telephone	6,164	8,400	(2,236)
	13,703	15,400	(1,697)
Other charges:			
Dues and memberships	393	500	(107)
Training	6,162	1,000	5,162
Insurance-liability	4,264	5,000	(736)
Travel	2,328	4,000	(1,672)
Premiums on surety bonds	0	500	(500)
Bank charges	0	100	(100)
Board meeting expense	0	150	(150)
Miscellaneous	263	500	(237)
	13,409	11,750	1,659

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET
(continued)

Year Ended June 30, 2009

	Actual (Accrual basis)	Budget (Accrual basis)	Variance Over (Under)
Depreciation	30,803	32,000	(1,197)
TOTAL OPERATING EXPENSES	410,778	447,413	(36,635)
(LOSS) FROM OPERATIONS	(147,864)	(188,413)	40,549
NON-OPERATING REVENUE			
Contributions from primary government	151,000	150,862	138
TECB-grants	31,306	10,000	21,306
Interest income	2,522	1,500	1,022
	184,828	162,362	22,466
CHANGE IN NET ASSETS	36,965	(26,051)	63,016
NET ASSETS AT THE BEGINNING OF THE YEAR	829,974	829,974	0
NET ASSETS AT THE END OF THE YEAR	$ 866,939	$ 803,923	$ 63,016

See the accompanying independent accountants' audit report.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2009

Grant Number	Grant Purpose	Federal Grantor/ Pass-Through Grantor
N/A	Dispatcher Training	Tennessee Department of Commerce and Insurance
N/A	Mapping and Addressing	Tennessee Department of Commerce and Insurance

See the accompanying independent accountants' audit report.

Receivable July 1, 2008	Receipts	Expenses	Receivable June 30, 2009
$ 0	$ 0	$ 21,306	$ 21,306
0	10,000	10,000	0
$ 0	$ 10,000	$ 31,306	$ 21,306

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

PUBLIC SAFETY ANSWERING POINTS

June 30, 2009

There is one public safety answering point (PSAP) utilized by Union County Emergency Communications District (the District).

The PSAP is located at the District's office at 130 Veterans Street, Maynardville, TN 37807.

The District uses the following system and/or equipment:

Merecom Data Logger
Manual and electronic databases provided by AT&T

See the accompanying independent accountants' audit report.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

ROSTER OF OFFICIALS

June 30, 2009

Director

Mason Simpson
130 Veterans Street
Maynardville, TN 37807
Telephone number: 865-992-9366
Telefax number: 865-992-1937

Chairman of the Board of Directors

Stanley Boles
901 Main Street, Suite 124
Maynardville, TN 37807
Telephone number: 865-992-3061
Telefax number: 865-992-1937

Members of the Board of Directors

Joyce Meltebarger
Andrew Reed
R.L. Jones
Burney Hutchinson
Melborne Munsey
Chad Faulkner
Bob Swisher
Earl Loy, Jr.

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT 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
Union County Emergency Communications District
Maynardville, Tennessee

We have audited the financial statements of Union County Emergency Communications District, a component unit of Union County, Tennessee, as of and for the year ended June 30, 2009 and have issued our report thereon dated April 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union County Emergency Communication District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union County Emergency Communication 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily 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.

416 Erin Drive • Knoxville, Tennessee 37919 • (865) 522-2396 • Fax (865) 523-6318

However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 2009-A-1 and 2009-A-2 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; 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*.

However, we noted other matters that we have reported to the management of Union County Emergency Communications District in a separate letter dated April 27, 2010.

Union County Emergency Communications District responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Union County Emergency Communications District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and government regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mitchell Emert & Hill

April 27, 2010

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

FINDINGS AND RESPONSES

Year Ended June 30, 2009

Finding Number 2009-A-1 - Segregation of Duties (repeat from prior year)

Finding: Due to the limited number of personnel available, a lack of segregation of duties exists in the areas of preparing bank deposits, posting accounting records, preparing bank reconciliations and making disbursements.

Recommendation: Accounting duties should be divided among existing personnel and Board members to ensure proper segregation of duties. The Board of Directors should consider the cost and benefit of adding additional staff members to ensure proper segregation of duties exist.

Management Response: We concur.

Finding Number 2009-A-2 - Financial Oversight (repeat from prior year)

Finding: The District does not have sufficient internal control over its financial reporting process. There is no documentation of review of bank reconcilements, cash receipts and disbursements, and journal entries. Also, there are inadequate controls in place to ensure that the financial statements are prepared in accordance with generally accepted accounting principles.

Recommendation: The Board of Directors should establish review procedures for financial reporting and assign a knowledgeable person the responsibility for such review.

Management Response: We concur.