

**MONROE COUNTY  
EMERGENCY COMMUNICATIONS DISTRICT**  
**(a component unit of Monroe County, Tennessee)**  
**ANNUAL FINANCIAL REPORT**  
**June 30, 2010**

**MONROE COUNTY  
EMERGENCY COMMUNICATIONS DISTRICT**  
**(a component unit of Monroe County, Tennessee)**

**June 30, 2010**

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**Monroe County Emergency Communications District  
For the Year Ended June 30, 2010**

**INTRODUCTORY SECTION**

**This annual financial report is presented by the following officials:**

**Board of Directors**

Boyd Curtis, DVM  
Chairman  
P.O. Box 41  
Madisonville, TN 37354

Mayor Tim Yates  
105 College Street South, Suite 1  
Madisonville, TN 37354

Harold Hawkins  
405 Spence Street  
Tellico Plains, TN 37385

Sheriff Bill Bivens  
319 Hickory Street  
Madisonville, TN 37354

Randy White  
1013 Meek Street  
Madisonville, TN 37354

Chief Greg Breeden  
315 Englewood Road  
Madisonville, TN 37354

Charles Hall  
203 Monroe Street  
Sweetwater, TN 37874

Chief Eddie Byrum  
P.O. Box 89  
Tellico Plains, TN 37385

Steve Teague  
P.O. Box 160  
Madisonville, TN 37354

## **FINANCIAL SECTION**

**Monroe County Emergency Communications District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2010**

The Monroe County Emergency Communications District (the "District") Management's Discussion and Analysis ("MD&A") is intended to provide the reader and user of our financial statements with (a) an understanding of the financial status of the District; (b) an overview of the District's financial activities; (c) an explanation of the changes in the District's financial position; (d) an explanatory analysis of the variations of the annual budgets; and (e) an assessment of any future financial or operating issues of the District.

This discussion and analysis is intended to focus on the fiscal year ending June 30, 2010 activities, resulting changes, and currently known facts and conditions and it should be read in conjunction with, and with reference to, the accompanying audited financial statements and related notes to the financial statements beginning on page 10.

**Financial Section**

- Management's Discussion and Analysis
- Independent Auditor's Report on the Financial Statements and Supplementary Information
- Financial Statements and Notes
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
  - Notes to Financial Statements
- Supplementary Information
  - Comparison of Actual Revenues and Expenses to Budget
  - Schedule of Information Required by the Tennessee Emergency Communications Board
- 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

**Notes to the Financial Statements**

The financial statements are on pages 10 to 12. These provide information about the District's financial position as of June 30, 2010, its results of operations for the year ended June 30, 2010, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. These are presented with prior year comparison.

The *Statement of Net Assets*, prepared using the accrual basis of accounting, provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in its assets (net assets). Over time, the comparison of changes in net assets may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining.

The *Statement of Revenues, Expenses, and Changes in Net Assets* provides information about the components - Revenues and Expenses - of the District's annual operating activities and how those activities affected Net Assets.

The Budgetary Comparison Schedule provides information comparing budgeted revenue and expenditure activities with the actual revenue and expenditure activities.

**Monroe County Emergency Communications District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2010**

**Condensed Comparative Financial Information**

<b>Statements of Net Assets</b>	<b><u>June 30, 2010</u></b>	<b><u>June 30, 2009</u></b>
Current Assets	\$418,120	\$249,415
Property, Plant, & Equipment, net of accumulated depreciation	351,145	384,320
Current Liabilities	3,162	8,235
 Net Assets	 <u>\$766,103</u>	 <u>\$625,500</u>
<b>Statements of Revenues, Expenses, and Changes in Net Assets</b>		
For the year ended	<b><u>June 30, 2010</u></b>	<b><u>June 30, 2009</u></b>
 Revenues:		
Telephone Surcharges	\$514,001	\$365,837
Contributions from Governments	300,250	270,725
Other Revenues	15,683	22,722
Total Revenues	<u>829,934</u>	<u>659,284</u>
 Expenses:		
Operating Expenses	688,788	695,341
Interest Expense	543	294
Total Expenses	<u>689,331</u>	<u>695,635</u>
 Change in Net Assets	 <u>\$140,603</u>	 <u>\$(36,351)</u>

This forgoing information is a summary of the financial information contained in the District's audited financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 10.

**Monroe County Emergency Communications District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2010**

**FINANCIAL HIGHLIGHTS**

- The District's assets increased by \$135,530, or approximately 21.39%, to \$769,265 over the prior year.
- Operating revenues increased by \$63,604, or approximately 19.21%, over the prior year.
- Contributions from primary and other governments increased by \$29,525, or approximately 10.91%, over the prior year.
- Other nonrecurring operating revenues increased by \$84,560 over the prior year. The District received a \$119,254 grant for a contingency-backup center in the current year.
- Operating expenses, excluding the noncash charge of \$49,363 for depreciation, decreased by \$6,553, or approximately 1%, over the prior year.

**ECONOMIC FACTORS**

The District collects \$0.65 per month from a residential telephone tariff and \$2.00 from a business telephone tariff charge. The District also receives a share of a statewide tariff of \$1.00 per month on wireless telephone service. The changes in these revenue sources depends on overall economic conditions in the region and the migration from residential telephone usage to wireless telephone usage in society.

The District also receives contributions from the governments of Monroe County, City of Sweetwater, City of Madisonville, Town of Tellico Plains, and Town of Vonore under an inter-government agreement executed in 1992. The agreements are subject to suggested annual increases by the District, based on expected increases in operating costs.

**FINANCIAL CONTACT**

The District's financial statements are designed to present users (citizens, taxpayers, creditors, and other governments) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, contact the District's Director, Clara Hitson, 3473 New Highway 68, Madisonville, Tennessee 37354.

# **PETERS & ASSOCIATES, P.C.**

Certified Public Accountants  
9040 Executive Park Drive, Suite 325  
P.O. Box 32278  
Knoxville, Tennessee 37930-2278

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TELE: 865.694.7128  
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To the Board of Directors  
Monroe County Emergency Communications District  
(a component unit of Monroe County, Tennessee)  
Madisonville, Tennessee

## Independent Auditor's Report

We have audited the accompanying financial statements of the Monroe County Emergency Communications District, a component unit of Monroe County, Tennessee, as of and for the years ended June 30, 2010 and 2009, as listed in the Table of Contents. These financial statements are the responsibility of the management of the Monroe County Emergency Communications District. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Monroe County Emergency Communications District, a component unit of Monroe County, Tennessee, as of June 30, 2010 and 2009 and the changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010, on our consideration of Monroe County Emergency Communications District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 read in conjunction with this report in considered in assessing the results of audits.

The *Management's Discussion and Analysis* information is not a required part 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 of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements of Monroe County Emergency Communications District, a component unit of Monroe County, Tennessee, taken as a whole. The accompanying financial information listed in the Table of Contents as *Schedule 1 - Comparison of Actual Revenues and Expenses to Budget* and the accompanying information listed in the Table of Contents as *Schedule 2 - Information Required by the Tennessee Emergency Communications Board* is presented for purposes of additional analysis and is not a required part of the financial statements of Monroe County Emergency Communications District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.

*Peters & Associates*

November 30, 2010

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

STATEMENTS OF NET ASSETS

JUNE 30, 2010 and 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
<u>Current Assets</u>		
Cash	\$410,613	\$242,430
Accrued Interest Receivable	7,507	6,985
Total Current Assets	418,120	249,415
<u>Noncurrent Assets</u>		
Capital Assets, Net of Accumulated Depreciation	351,145	384,320
Total Assets	\$769,265	\$633,735
 <u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Payroll Taxes Withheld and Accrued	\$3,162	\$ -
Current Portion of Capitalized Lease Obligations	-	8,235
Total Current Liabilities	3,162	8,235
<u>Noncurrent Liabilities</u>		
Capitalized Lease Obligations - Vehicle	-	-
Total Liabilities	3,162	8,235
 <u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	351,145	376,085
Unrestricted Net Assets	414,958	249,415
Total Net Assets	766,103	625,500
	\$769,265	\$633,735

See accompanying notes to financial statements.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUES:</b>		
Emergency Telephone Service Charge	\$155,113	\$167,123
TECB - Shared Wireless Charge	239,634	164,020
TECB - Operational Funding	119,254	34,694
	514,001	365,837
<b>OPERATING EXPENSES:</b>		
Salaries and Wages	389,701	369,916
Employee Benefits	108,223	115,569
Contracted Services	83,303	102,538
Supplies and Materials	32,254	41,930
Other Charges	25,944	16,637
Depreciation	49,363	48,751
	688,788	695,341
Total Operating Expenses		
	(174,787)	(329,504)
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest Income	3,549	6,420
Interest Expense	(543)	(294)
Contributions from Primary Government	110,000	112,400
Contributions from Other Governments and Agencies	190,250	158,325
Tena Grant	10,000	10,000
Miscellaneous Income	2,134	6,302
	315,390	293,153
Net Income (Loss)	140,603	(36,351)
Net Assets, Beginning of Year	625,500	661,851
Net Assets, End of Year	\$766,103	\$625,500

See accompanying notes to financial statements.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Surcharges and Other Revenues	\$516,135	\$372,139
Payments to Suppliers for Goods and Services	(141,501)	(161,105)
Payments for Payroll, Taxes and Related Benefits	(494,761)	(485,485)
Net Cash Used by Operating Activities	<u>(120,127)</u>	<u>(274,451)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Contributions from Primary and Other Governments	300,250	270,725
Grants received	10,000	10,000
Net Cash Provided by Noncapital Financing Activities	<u>310,250</u>	<u>280,725</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of Capital Assets	(16,188)	(21,596)
Proceeds of Capitalized Lease Obligation	-	-
Retirement of Capitalized Lease Obligation	(8,235)	(8,484)
Payment of interest on Capitalized Lease Obligation	(543)	(294)
Net Cash Used for Capital and Related Financing Activities	<u>(24,966)</u>	<u>(30,374)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest Income Received	3,026	3,474
Net Cash Provided from Investing Activities	<u>3,026</u>	<u>3,474</u>
Net Increase (Decrease) in Cash and Cash Equivalents	168,183	(20,626)
Cash and Cash Equivalents, Beginning of Year	242,430	263,056
Cash and Cash Equivalents, End of Year	<u>\$410,613</u>	<u>\$242,430</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:</b>		
Operating loss	\$(174,787)	\$(329,504)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	49,363	48,751
Change in Accounts Receivable and Other Assets	(521)	(2,946)
Net Cash Used by Operating Activities	<u>\$(125,945)</u>	<u>\$(283,699)</u>

See accompanying notes to financial statements.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2010 and 2009

1. SIGNIFICANT ACCOUNTING POLICIES

A. Introduction.

The financial statements of Monroe County Emergency Communications District (the "District") have been prepared in conformity with all GASB pronouncements as well as FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. After November 30, 1989, the District follows GASB guidance only and does not follow any FASB guidance issued after that date.

B. Reporting Entity.

The District was established according to the provisions of Section 7-86-106, Tennessee Code Annotated. Under its enabling legislation, the District has the powers of perpetual success, but without any power to levy or collect taxes. Charges for services authorized shall not be considered as taxes. The District provides a simplified means of securing emergency services through a uniform emergency number for residents of Monroe County. The District is funded by service charges levied on local residential and business telephone services, plus direct contributions from Monroe County, City of Sweetwater, City of Madisonville, Town of Tellico Plains, and the Town of Vonore. The District also receives a share of a statewide tariff on wireless telephone service. Before the issuance of most debt instruments, the District must obtain the approval of the County Commission. The powers of the District are vested in and exercised by a majority of the nine members of its board of directors who are appointed by and represent various governmental bodies of Monroe County including the County Commission, Monroe County Highway Department, the County Sheriff, a representative from the City of Sweetwater, City of Madisonville, Town of Vonore, Town of Tellico Plains, and a member of the general public.

The District is a component unit of Monroe County, Tennessee government. Monroe County government contributes approximately 15% of the District's annual revenues and is the largest contributor out of five governmental bodies that contribute to the District under an inter-government agreement.

C. Basis of Accounting.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Monroe County Emergency Communications District accounts for its activities by using the accrual basis of accounting. The revenues are recognized when they are earned. The expenses are recognized when they are incurred.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2010 and 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

D. Accounts Receivable.

Accounts receivable primarily consists of surcharges receivable from local telephone companies and contributions receivable from local city and county government entities.

E. Budgeting and Budgetary Control.

The revenues and expenses are accounted for by a formal integrated budgetary accounting system in accordance with various legal requirements that govern the operations. Expenses are budgeted at the legal level of control which is at the line item level. The approved budget is integrated into the accounting system and employed as a management control device during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles.

The budgets reflected in the accompanying *Schedule 1 - Comparison of Actual Revenues and Expenses to Budget* are the budgets for the year ended June 30, 2010, as amended. Appropriations lapse at year end. Increases in appropriations must be approved by the District's Board of Directors.

F. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts.

The District's personnel policy does not permit an employee to accumulate sick and vacation days in excess of a normal year's accumulation; therefore the unrecorded liability associated with sick and vacation pay is not in excess of a normal year's accumulation.

G. Revenue.

Operating Revenue. The District's primary sources of revenue are surcharges on Monroe County telephone service and a share of a statewide tariff on wireless telephone service. The District receives the surcharges less administrative fees paid for collecting the surcharges. The District also receives operational funding from the Tennessee Emergency Communications Board.

Non-operating Revenue. The District receives direct contributions from Monroe County, City of Sweetwater, City of Madisonville, Town of Tellico Plains, and the Town of Vonore under an inter-government agreement. The District also periodically receives grants from various sources.

H. Capital Assets.

Capital assets are stated at cost and depreciated or amortized over the estimated useful life of each asset. Depreciation and amortization are computed using the straight-line method.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2010 and 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

I. Reclassifications.

Certain reclassifications have been made to the June 30, 2009 financial statement presentation to correspond to the current year's format. Total retained earnings and net income are unchanged due to these reclassifications.

2. CASH

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, demand accounts at credit unions, repurchase agreements, and U.S. Government securities with original maturities of less than three months.

All cash deposits for the Monroe County Emergency Communications District are maintained on deposit with local banks. Cash deposits amounted to \$410,613 and \$242,430 at June 30, 2010 and 2009, respectively. State of Tennessee statutes require that banks pledge securities against bank balances in excess of the amounts protected by the Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2010, the entire bank balances were covered by federal depository insurance, or by collateral held in the Tennessee Bank Collateral Pool (the "Pool"). The Pool is a multiple financial institution collateral pool to which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The Pool also has the ability to make additional assessments on a pro rata basis to the members of the Pool if the value of collateral is inadequate to cover a loss.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2010 and 2009

3. CAPITAL ASSETS

A summary of changes in capital assets is as follows for fiscal year ended June 30, 2010:

	<u>2009</u>	<u>Additions</u>	<u>Provision</u>	<u>Deletions</u>	<u>2010</u>
Building	\$173,924	\$3,323			\$177,247
Less accumulated depreciation	(35,147)		\$(4,357)		(39,504)
	<u>138,777</u>				<u>137,743</u>
Equipment					
Communication equipment	556,985	11,016			568,001
Less accumulated depreciation	(363,305)		(34,802)		(398,107)
	<u>193,680</u>				<u>169,894</u>
Office equipment	40,455				40,455
Less accumulated depreciation	(33,200)		(1,184)		(34,384)
	<u>7,255</u>				<u>6,071</u>
Other equipment	41,094				41,094
Less accumulated depreciation	(22,965)		(2,207)		(25,172)
	<u>18,129</u>				<u>15,922</u>
Furniture and fixtures	23,644	1,849			25,493
Less accumulated depreciation	(13,450)		(1,660)		(15,110)
	<u>10,194</u>				<u>10,383</u>
Capitalized lease - vehicle	24,738				24,738
Less accumulated depreciation	(8,453)		(5,153)		(13,606)
	<u>16,285</u>				<u>11,132</u>
	<u>\$384,320</u>	<u>\$16,188</u>	<u>\$(49,363)</u>		<u>\$351,145</u>

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2010 and 2009

3. CAPITAL ASSETS (continued):

A summary of changes in capital assets is as follows for fiscal year ended June 30, 2009:

	2008	Additions	Provision	Deletions	2009
Building	\$173,924				\$173,924
Less accumulated depreciation	(30,799)		\$(4,348)		(35,147)
	<u>143,125</u>				<u>138,777</u>
Equipment					
Communication equipment	540,073	16,912			556,985
Less accumulated depreciation	(329,610)		(33,695)		(363,305)
	<u>210,463</u>				<u>193,680</u>
Office equipment	40,455				40,455
Less accumulated depreciation	(32,027)		(1,173)		(33,200)
	<u>8,428</u>				<u>7,255</u>
Other equipment	41,094				41,094
Less accumulated depreciation	(19,427)		(3,538)		(22,965)
	<u>21,667</u>				<u>18,129</u>
Furniture and fixtures	18,960	4,684			23,644
Less accumulated depreciation	(12,401)		(1,049)		(13,450)
	<u>6,559</u>				<u>10,194</u>
Capitalized lease - vehicle	24,738				24,738
Less accumulated depreciation	(3,505)		(4,948)		(8,453)
	<u>21,233</u>				<u>16,285</u>
	<u>\$411,475</u>	<u>\$21,596</u>	<u>\$(48,751)</u>		<u>\$384,320</u>

Depreciation charged to revenues was \$49,363 and \$48,751 for the years ended June 30, 2010 and 2009, respectively.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2010 and 2009

4. CAPITALIZED LEASE OBLIGATION

On October 1, 2007, the District entered into a financing lease with Ford Motor Credit Company for a vehicle. The terms of the lease call for the District to make three annual payments of \$8,778, with the last payment dated October 3, 2009. The lease carried an interest rate of 6.60%. Title passes to the District after the final payment. The lease is secured by a vehicle with a carrying value of \$11,132. Future minimum payments under the lease are as follows at June 30, 2010 and 2009 respectively:

	<u>2010</u>	<u>2009</u>
FYE June 30,		
2009	\$ -	\$ -
2010	-	8,235
	-----	-----
	-	8,235
Less current portion	-	(8,235)
	-----	-----
	\$ -	\$ -
	=====	=====

5. RISK MANAGEMENT

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, workers compensation, and employee health and accident. The District also maintains a surety bond in the amount of \$50,000 on certain members of the Board of Directors and the District's employee director. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

6. FACILITIES

In June 2001 Monroe County Emergency Communications District moved into facilities built and owned jointly with the Monroe County Road Department. The underlying land is owned by Monroe County.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2010 and 2009

7. PENSION PLAN

A. Plan Description

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

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

B. Funding Policy

Monroe County Emergency Communications District's plan requires employees to contribute 5% of earnable compensation.

Monroe County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010 was 6.53% of annual covered payroll. The contribution requirements of plan members is set by state statute. The contribution requirements for Monroe County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2010 and 2009

C. Annual Pension Cost

For the year ending June 30, 2010, Monroe County Emergency Communications District's annual pension cost of \$21,100 to TCRS was equal to Monroe County Emergency Communications 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% 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. Monroe County Emergency Communications 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 16 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

TREND INFORMATION

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$21,100	100%	\$0
June 30, 2009	\$21,406	100%	\$0
June 30, 2008	\$22,275	100%	\$0

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2010 and 2009

**D. Funded Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date, the plan was 85.26% funded. The actuarial accrued liability for benefits was \$0.55 million, and the actuarial value of assets was \$0.47 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.08 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.33 million, and the ratio of the UAAL to the covered payroll was 24.80%.

The schedules of funding progress, presented as required supplementary information (RSI), 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.

Schedule of Funding Progress for Monroe County Emergency Communications District, #83419

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) -Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a) / c)
July 1, 2009	\$470	\$551	\$81	85.26%	\$328	24.80%
July 1, 2007	\$387	\$498	\$111	77.70%	\$316	35.13%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding progress using the entry age actuarial method went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

**MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
(a component unit of Monroe County, Tennessee)  
**COMPARISON OF ACTUAL REVENUES AND EXPENSES TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	ACTUAL (ACCRUAL BASIS)	BUDGET (ACCRUAL BASIS)	VARIANCE - UNDER (OVER)
<b>OPERATING REVENUES:</b>			
Emergency Telephone Service Charge	\$155,113	\$155,000	\$113
TECB - Shared Wireless Charge	239,634	235,000	4,634
TECB - Operational Funding	119,254	-	119,254
Total Operating Revenues	514,001	390,000	124,001
<b>OPERATING EXPENSES:</b>			
<b>Salaries and Wages</b>			
Director	53,044	54,000	956
Dispatchers	249,163	253,400	4,237
Overtime Pay	22,545	23,000	455
Part-time Personnel	33,112	34,000	888
Address/Clerical Personnel	31,836	32,000	164
<b>Employee Benefits</b>			
Social Security & Medicare Taxes	28,290	30,800	2,510
Unemployment Compensation	414	500	86
Medical Insurance	57,087	70,000	12,913
Life Insurance	1,334	1,500	166
Retirement	21,100	23,000	1,900
<b>Contracted Services</b>			
Addressing/Mapping Expenses	-	1,000	1,000
Auditing Services	4,100	4,250	150
Legal	150	3,000	2,850
Accounting Services	4,640	4,700	60
Janitorial Services	-	1,000	1,000
Systems Manager	12,000	12,000	0
MCIC/TBI/TIES Expenses	8,000	8,000	0
Lease - Communications Equipment	37,504	38,000	496
Maintenance and Repairs - Communications Equip.	10,791	15,000	4,209
Maintenance and Repairs - Office Equipment	1,202	3,000	1,798
Maintenance and Repairs - Buildings and Facilities	3,893	5,000	1,107
Maintenance and Repairs - Vehicle	1,024	2,000	976

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)  
COMPARISON OF ACTUAL REVENUES AND EXPENSES TO BUDGET  
FOR THE YEAR ENDED JUNE 30, 2010

-continued-

	ACTUAL (ACCRUAL BASIS)	BUDGET (ACCRUAL BASIS)	VARIANCE - UNDER (OVER)
Supplies and Materials			
Office Supplies	6,464	6,500	36
Custodial Supplies	2,240	2,400	160
Postage	316	400	84
Small Equipment Purchases	612	1,000	388
Uniforms	250	3,000	2,750
Utilities - Electric	6,607	9,000	2,393
Utilities - Gas	268	500	232
Utilities - General Telephone	13,563	15,000	1,437
Utilities - Cell Phones and Pagers	998	1,000	2
Other Supplies and Materials	936	1,200	264
Other Charges			
Bank Charges	370	400	30
Dues and Memberships	404	500	96
Insurance - Workers Compensation	1,794	2,500	706
Insurance - Liability	8,007	8,600	593
Insurance - Building and Contents	7,691	8,500	809
Insurance - Vehicles	542	600	58
Legal Notices	48	200	152
Training Expense	3,544	4,000	456
Travel Expense	2,232	4,000	1,768
Surety Bond Premium	1,310	1,380	70
Vehicle Lease	-	8,779	8,779
Depreciation	49,363	-	(49,363)
Total Operating Expenses	688,788	698,609	9,821
Operating income (loss)	(174,787)	(308,609)	133,822
NON-OPERATING REVENUES:			
Monroe County Contributions	110,000	110,000	0
Town of Vonore Contributions	23,000	20,000	3,000
Town of Tellico Plains Contributions	13,875	15,000	(1,125)
City of Sweetwater Contributions	88,375	70,700	17,675
Town of Madisonville Contributions	65,000	65,000	0
Tena Grant	10,000	30,000	(20,000)
Interest Expense	(543)	(5,678)	5,135
Interest Income	3,549	3,000	549
Miscellaneous Income	2,134	3,700	(1,566)
Total Nonoperating Revenues	315,390	311,722	3,668
Net Income (Loss)	\$140,603	\$3,113	\$137,490

**INFORMATION REQUIRED BY THE TENNESSEE EMERGENCY  
COMMUNICATIONS BOARD**

1. The number of public safety answering points (PSAP):

**One (1) PSAP serves all of Monroe County**

2. The address of each PSAP:

**Monroe County Emergency Communications District  
P.O. Box 869  
3473 New HWY 68  
Madisonville, TN 37354**

3. The type of system/equipment and database used by each PSAP:

**System/equipment: Zetron Communications Equipment  
Database: Bell South and in-house data base**

4. The name, address, telephone number, and fax number of the director of the emergency communications district:

**Clara Hitson  
Monroe County Emergency Communications District  
P.O. Box 869  
3473 New HWY 68  
Madisonville, TN 37354  
Tele: (423) 442-9555  
Fax: (423) 442-9585**

5. The name, address, telephone number, and fax number of the chairman of the emergency communications district:

**Boyd Curtis, DVM  
P.O. Box 41  
Madisonville, TN 37354  
Tele: (423) 337-7432  
Fax: (423) 442-9585**

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

The Board of Directors  
Monroe County Emergency Communications District  
(a component unit of Monroe County, Tennessee)  
Madisonville, Tennessee

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

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Monroe County Emergency Communications District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Monroe County Emergency Communications District's financial statements that is more than inconsequential will not be prevented or detected by Monroe County Emergency Communications District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Monroe County Emergency Communications District's internal control.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monroe County Emergency Communications District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the District's Board of Directors, and government regulatory and granting agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Peters & Associates*

November 30, 2010