

Financial Statements

UNION COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Year Ended June 30, 2010

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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, 2010, 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 opinion.

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, 2010, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 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, 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 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

November 22, 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, 2010. 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

	<u>2010</u>	<u>2009</u>
NET ASSETS		
Current assets	\$ 594,986	\$ 574,678
Capital assets, net of accumulated depreciation	<u>271,237</u>	<u>296,583</u>
Total assets	<u>\$ 866,223</u>	<u>\$ 871,261</u>
Liabilities	\$ 22,707	\$ 4,322
Net assets:		
Invested in capital assets	271,237	296,583
Unrestricted	<u>572,279</u>	<u>570,355</u>
	<u>843,516</u>	<u>866,939</u>
Total liabilities and net assets	<u>\$ 866,223</u>	<u>\$ 871,261</u>
CHANGES IN NET ASSETS		
Operating revenue	\$ 275,220	\$ 262,914
Operating expenses	<u>469,109</u>	<u>410,778</u>
Operating (loss)	(193,889)	(147,864)
Non-operating revenue	<u>170,467</u>	<u>184,828</u>
Change in net assets	(23,422)	36,965
Beginning net assets	<u>866,939</u>	<u>829,974</u>
Ending net assets	<u>\$ 843,516</u>	<u>\$ 866,939</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As can be seen from the summarized financial information, the District's net assets have decreased \$23,422 during the year ended June 30, 2010. Operating revenue increased at a rate of 5% while operating expenses increased by 14%. The increase in operating expenses is due primarily to additional dispatchers and other personnel added to the District's staff and the addition of the mapping/database consultant expense for continuing GIS mapping expansion.

THE DISTRICT'S NET ASSETS

The District completed the year with net assets of \$843,516 which is \$23,422 less than last year's ending net assets of \$866,939.

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.

Revenue from residential phone lines decreased as compared to the prior year and was \$14,503 less than budgeted revenue. State shared wireless revenue increased as compared to the prior year and was \$38,953 more than the budgeted income. Operating income increased as compared to the prior year and was \$24,631 more than the budgeted income. Actual expenses were \$11,104 less than the budgeted amount due primarily to salaries and wages being less than budgeted amounts.

CAPITAL ASSETS

The District's investment in capital assets amounts to \$461,002 with accumulated depreciation of \$189,765. 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, 2010

ASSETS

CURRENT ASSETS

Cash		\$ 536,111
Certificate of deposit		35,933
Accounts receivable		7,813
Due from TECB		7,648
Other receivables		2,011
Prepaid expenses		<u>5,469</u>

TOTAL CURRENT ASSETS 594,986

CAPITAL ASSETS

Communications equipment	\$ 333,615	
Office equipment	26,537	
Machinery and equipment	12,548	
Leasehold improvements	<u>88,302</u>	
	461,002	
Accumulated depreciation	<u>(189,765)</u>	<u>271,237</u>

TOTAL ASSETS \$ 866,223

See the accompanying notes to the financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	765	
Payroll deductions payable		608	
Accrued payroll			<u>21,335</u>

TOTAL CURRENT LIABILITIES 22,707

NET ASSETS

Invested in capital assets	\$	271,237	
Unrestricted		<u>572,279</u>	<u>843,516</u>

TOTAL LIABILITIES AND NET ASSETS \$ 866,223

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

Year Ended June 30, 2010

OPERATING REVENUE

Emergency telephone service charges		\$ 115,586
TECB-shared wireless charge		45,079
TECB-operational funding program		114,480
Other operating revenues		<u>75</u>

TOTAL OPERATING REVENUE 275,220

OPERATING EXPENSES

Salaries and wages:		
Director	\$ 24,668	
Dispatchers	216,297	
Overtime	23,539	
Part-time personnel	<u>13,895</u>	278,398

Employee benefits:		
Payroll taxes	20,787	
Medical insurance	11,829	
Retirement	<u>18,568</u>	51,184

Contracted services:		
Accounting services	8,502	
Addressing/mapping	15,000	
Auditing services	3,725	
Data processing services	315	
Fees paid to service providers	17,957	
Janitorial services	1,175	
Lease/Rental-furniture and fixtures	744	
Lease/Rental-building and facilities	4,800	
Pest control	270	
NCIC/TBI/TIES expenses	8,560	
Engineering services	1,500	
Maintenance and repairs-buildings and facilities	2,481	
Maintenance and repairs-communications equipment	4,066	
Maintenance and repairs-office equipment	<u>15,084</u>	84,179

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

(continued)

Year Ended June 30, 2010

Supplies and materials:		
Office supplies	2,408	
Postage	241	
Small equipment purchases	2,146	
Uniforms	754	
Utilities-electric	249	
Utilities-general telephone	<u>2,165</u>	7,962
Other charges:		
Dues and memberships	243	
Training	3,104	
Insurance	5,470	
Travel	4,264	
Bank charges	105	
Miscellaneous	<u>396</u>	13,582
Depreciation		<u>33,803</u>
	TOTAL OPERATING EXPENSES	<u>469,109</u>
	(LOSS) FROM OPERATIONS	(193,889)
NON-OPERATING REVENUE		
Contributions from primary government	151,000	
TECB-grants	18,000	
Interest income	<u>1,467</u>	<u>170,467</u>
	CHANGE IN NET ASSETS	(23,422)
NET ASSETS AT THE BEGINNING OF THE YEAR		<u>866,939</u>
	NET ASSETS AT THE END OF THE YEAR	<u>\$ 843,516</u>

See the accompanying notes to the financial statements.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

CASH PROVIDED(USED) BY OPERATING ACTIVITIES	
Cash received from telephone charges	\$ 320,464
Cash paid to suppliers	(149,652)
Cash paid to employees	<u>(269,281)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(98,469)
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(8,457)
CASH PROVIDED(USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Contributions from primary government	\$ 151,000
TECB-grants	<u>18,000</u>
NET CASH PROVIDED BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	169,000
CASH PROVIDED(USED) BY INVESTING ACTIVITIES	
Interest received	1,467
(Increase) in certificate of deposit	<u>(645)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>822</u>
NET INCREASE IN CASH	62,895
CASH AT THE BEGINNING OF THE YEAR	<u>473,216</u>
CASH AT THE END OF THE YEAR	<u>\$ 536,111</u>

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

(continued)

Year Ended June 30, 2010

**RECONCILIATION OF (LOSS) FROM
OPERATIONS TO NET CASH (USED)
BY OPERATING ACTIVITIES**

(Loss) from operations		\$ (193,889)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:		
Depreciation	\$ 33,803	
(Increase) decrease in:		
Accounts receivable	264	
Due from TECB	44,979	
Due from other governments	(2,011)	
Increase in:		
Accounts payable	765	
Payroll deductions payable	<u>(3,487)</u>	<u>74,313</u>
NET CASH (USED) BY OPERATING ACTIVITIES		<u>\$ (119,576)</u>

See the accompanying notes to the financial statements.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

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 of Directors appointed by the Board of Commissioners of Union County, Tennessee. The Board of Directors 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 year ended June 30, 1993.

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:

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2010

Invested in capital assets: This category includes capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2010 has been calculated as follows:

Capital assets	\$ 461,002
Accumulated depreciation	<u>(189,765)</u>
	<u>\$ 271,237</u>

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, 2010.

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, 2010, 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 \$1,000 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.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2010

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, 2010 were either insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2010

NOTE D - CAPITAL ASSETS

	<u>Balance</u> <u>7/1/09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/10</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 330,887	\$ 2,728	\$ 0	\$ 333,615
Leasehold improvements	85,925	2,377	0	88,302
Office equipment	23,185	3,352	0	26,537
Machinery and equipment	<u>12,548</u>	<u>0</u>	<u>0</u>	<u>12,548</u>
	452,545	8,457	0	461,002
<u>Accumulated depreciation</u>				
Communications equipment	(128,660)	(28,393)	0	(157,053)
Leasehold improvements	(1,802)	(2,447)	0	(4,249)
Office equipment	(15,476)	(2,345)	0	(17,821)
Machinery and equipment	<u>(10,024)</u>	<u>(618)</u>	<u>0</u>	<u>(10,642)</u>
	<u>(155,962)</u>	<u>(33,803)</u>	<u>0</u>	<u>(189,765)</u>
	<u>\$ 296,583</u>	<u>\$ (25,346)</u>	<u>\$ 0</u>	<u>\$ 271,237</u>

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.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2010

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, 2010 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, 2010, the District's annual pension cost of \$17,108 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, 2009, which established contribution rates effective July 1, 2010.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2010

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/10	\$ 17,108	100.00%	\$ 0
6/30/09	14,416	100.00	0
6/30/08	13,391	100.00	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 38.61% funded. The actuarial accrued liability for benefits was \$0.10 million, and the actuarial value of assets was \$0.04 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.06 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.22 million, and the ratio of the UAAL to the covered payroll was 28.04%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 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	7/1/09	7/1/07
Actuarial value of plan assets	\$ 39,000	\$ 0
Actuarial accrued liability (AAL)	100,000	N/A
Unfunded AAL (UAAL)	62,000	N/A
Funded ratio	38.61%	N/A
Covered payroll	219,000	0
UAAL as a percentage of covered payroll	28.04%	N/A

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2010

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, 2010

Actuarial valuation date	7/1/09	7/1/07
Actuarial value of plan assets	\$ 39,000	\$ 0
Actuarial accrued liability (AAL)	100,000	N/A
Unfunded AAL (UAAL)	62,000	N/A
Funded ratio	38.61%	N/A
Covered payroll	219,000	0
UAAL as a percentage of covered payroll	28.04%	N/A

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the Entry Age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are 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, 2010

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
OPERATING REVENUE			
Emergency telephone service charges	\$ 115,586	\$ 130,089	\$ (14,503)
TECB-shared wireless charge	45,079	25,000	20,079
TECB-operational funding program	114,480	95,000	19,480
Other operating revenue	<u>75</u>	<u>500</u>	<u>(425)</u>
TOTAL OPERATING REVENUE	275,220	250,589	24,631
OPERATING EXPENSES			
Salaries and wages:			
Director	24,668	30,238	(5,570)
Dispatchers	216,297	226,600	(10,303)
Overtime	23,539	27,615	(4,077)
Part-time personnel	<u>13,895</u>	<u>14,000</u>	<u>(105)</u>
	278,398	298,453	(20,055)
Employee benefits:			
Payroll taxes	20,787	23,099	(2,312)
Medical insurance	11,829	12,500	(671)
Retirement	<u>18,568</u>	<u>20,074</u>	<u>(1,506)</u>
	51,184	55,673	(4,489)
Contracted services:			
Accounting services	8,502	8,502	0
Addressing/mapping	15,000	10,200	4,800
Audit services	3,725	3,725	0
Data processing services	315	350	(35)
Fees paid to service providers	17,957	22,000	(4,043)
Janitorial services	1,175	1,200	(25)
Lease/Rental-furniture and fixtures	744	1,000	(256)
Lease/Rental-building and facilities	4,800	4,800	0
Pest control	270	600	(330)
NCIC/TBI/TIES expenses	8,560	8,560	0

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2010

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
Contracted services(continued):			
Engineering services	1,500	0	1,500
Maintenance and repairs- buildings and facilities	2,481	1,000	1,481
Maintenance and repairs- communications equipment	4,066	7,000	(2,934)
Maintenance and repairs- office equipment	15,084	17,000	(1,916)
Maintenance and repairs-vehicles	<u>0</u>	<u>500</u>	<u>(500)</u>
	84,179	86,437	(2,258)
Supplies and materials:			
Office supplies	2,408	2,500	(92)
Postage	241	500	(259)
Small equipment purchases	2,146	1,000	1,146
Uniforms	754	800	(46)
Utilities-electric	249	1,000	(751)
Utilities-general telephone	<u>2,165</u>	<u>3,400</u>	<u>(1,235)</u>
	7,962	9,200	(1,238)
Other charges:			
Dues and memberships	243	500	(257)
Training	3,104	3,500	(396)
Insurance-liability	5,470	7,500	(2,030)
Travel	4,264	4,500	(236)
Premiums on surety bonds	0	500	(500)
Bank charges	105	300	(195)
Board meeting expense	0	150	(150)
Miscellaneous	<u>396</u>	<u>500</u>	<u>(104)</u>
	13,582	17,450	(3,868)

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2010

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
Depreciation	33,803	13,000	20,803
TOTAL OPERATING EXPENSES	<u>469,109</u>	<u>480,213</u>	<u>(11,104)</u>
(LOSS) FROM OPERATIONS	(193,889)	(229,624)	35,735
NON-OPERATING REVENUE			
Contributions from primary government	151,000	150,862	138
TECB-grants	18,000	30,000	(12,000)
Interest income	1,467	1,500	(33)
	<u>170,467</u>	<u>182,362</u>	<u>(11,895)</u>
CHANGE IN NET ASSETS	(23,422)	(47,262)	23,840
NET ASSETS AT THE BEGINNING			
OF THE YEAR	<u>866,939</u>	<u>866,939</u>	<u>0</u>
NET ASSETS AT THE END			
OF THE YEAR	<u>\$ 843,516</u>	<u>\$ 819,677</u>	<u>\$ 23,840</u>

See the accompanying independent accountants' audit report.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2010

<u>Grant Number</u>	<u>Grant Purpose</u>	<u>Federal Grantor/ Pass-Through Grantor</u>
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.

<u>Receivable July 1, 2009</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable June 30, 2010</u>
\$ 21,306	\$ 29,306	\$ 8,000	\$ 0
<u>0</u>	<u>10,000</u>	<u>10,000</u>	<u>0</u>
<u>\$ 21,306</u>	<u>\$ 39,306</u>	<u>\$ 18,000</u>	<u>\$ 0</u>

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

PUBLIC SAFETY ANSWERING POINTS

June 30, 2010

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, 2010

Director

Mason Simpson
130 Veterans Street
Maynardville, TN 37807
Telephone number: 865-992-9366
Telefax number: 865-992-2063

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 Meltabarger
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, 2010 and have issued our report thereon dated November 22, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 2010-A-1, 2010-A-2 and 2010-A-3 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, 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*.

However, we noted other matters that we have reported to the management of Union County Emergency Communications District in a separate letter dated November 22, 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.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

November 22, 2010

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

FINDINGS AND RESPONSES

Year Ended June 30, 2010

Finding Number 2010-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 2010-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 reconciliations between bank statements and the amount recorded in the general ledger. 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.

Finding Number 2010-A-3 – Document Retention

Finding: The District does not have sufficient internal control over its document preparation and retention. There were two quarterly payroll tax returns that could not be located or were not prepared.

Recommendation: The Board of Directors should establish procedures for document preparation and retention and assign a person the responsibility for such procedures.

Management Response: We concur.