

*Financial Statements*

UNION COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

Year Ended June 30, 2011

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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, 2011, 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 organization'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, 2011, 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 October 28, 2011 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 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*

October 28, 2011

# **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, 2011. 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 change in them is presented below:

## **SUMMARIZED FINANCIAL INFORMATION**

	<u>2011</u>	<u>2010</u>
<b>NET ASSETS</b>		
Current assets	\$ 633,562	\$ 594,986
Capital assets, net of accumulated depreciation	<u>256,831</u>	<u>271,237</u>
Total assets	<u>\$ 890,393</u>	<u>\$ 866,223</u>
Liabilities	\$ 23,961	\$ 22,707
Net assets:		
Invested in capital assets	256,831	271,237
Unrestricted	<u>609,601</u>	<u>572,279</u>
	<u>866,432</u>	<u>843,516</u>
Total liabilities and net assets	<u>\$ 890,393</u>	<u>\$ 866,223</u>

## **CHANGE IN NET ASSETS**

Operating revenue	\$ 294,154	\$ 275,220
Operating expenses	<u>445,770</u>	<u>469,109</u>
Operating (loss)	(151,617)	(193,889)
Nonoperating revenue	<u>174,532</u>	<u>170,467</u>
Change in net assets	22,915	(23,422)
Beginning net assets	<u>843,516</u>	<u>866,939</u>
Ending net assets	<u>\$ 866,432</u>	<u>\$ 843,516</u>

## **ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

As can be seen from the summarized financial information, the District's net assets have increased \$22,915 during the year ended June 30, 2011. Operating revenue increased at a rate of 5% while operating expenses decreased by 5%. The decrease in operating expenses is due primarily to less spent on repairs and maintenance and lease expense during the current year.

## **THE DISTRICT'S NET ASSETS**

The District completed the year with net assets of \$866,432 which is \$22,915 more than last year's ending net assets of \$843,516.

## **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 \$15,567 less than budgeted revenue. State shared wireless revenue increased as compared to the prior year but was \$13,445 less than the budgeted income. Operating income increased as compared to the prior year and was \$3,654 more than the budgeted income. Actual expenses were \$36,620 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 \$454,870 with accumulated depreciation of \$198,039. Capital assets include the leasehold improvements, communications equipment, 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, 2011

**ASSETS**

**CURRENT ASSETS**

Cash		\$ 581,030
Certificate of deposit		36,271
Accounts receivable		8,346
Due from TECB		7,723
Other receivables		<u>191</u>

**TOTAL CURRENT ASSETS** 633,562

**CAPITAL ASSETS**

Communications equipment	\$ 354,293	
Office equipment	15,475	
Leasehold improvements	<u>85,102</u>	
	454,870	
Accumulated depreciation	<u>(198,039)</u>	<u>256,831</u>

**TOTAL ASSETS** \$ 890,393

See the accompanying notes to the financial statements.

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable		\$ 1,057
Payroll deductions payable		566
Accrued payroll		<u>22,338</u>

**TOTAL CURRENT LIABILITIES** 23,961

**NET ASSETS**

Invested in capital assets	\$ 256,831	
Unrestricted	<u>609,601</u>	<u>866,432</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 890,393

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS**

Year Ended June 30, 2011

**OPERATING REVENUE**

Emergency telephone service charges		\$ 104,433
TECB-shared wireless charge		46,555
TECB-operational funding program		142,791
Other operating revenue		<u>375</u>

<b>TOTAL OPERATING REVENUE</b>		294,154
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**OPERATING EXPENSES**

Salaries and wages:		
Director	\$ 31,138	
Administrative personnel	3,881	
Dispatchers	201,747	
Overtime	26,243	
Part-time personnel	<u>12,945</u>	275,954

Employee benefits:		
Payroll taxes	21,914	
Medical insurance	11,203	
Retirement	<u>14,475</u>	47,592

Contracted services:		
Auditing services	4,100	
Contracts with government agencies	10,000	
Fees paid to service providers	17,377	
Pest control	45	
NCIC/TBI/TIES expenses	4,480	
Maintenance and repairs-buildings and facilities	919	
Maintenance and repairs-communications equipment	17,007	
Maintenance and repairs-office equipment	3,033	
Maintenance and repairs-vehicles	394	
Other contracted services	<u>1,268</u>	58,623

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS**

(continued)

Year Ended June 30, 2011

Supplies and materials:		
Custodial supplies	1,440	
Office supplies	1,618	
Postage	216	
Small equipment purchases	1,327	
Uniforms	697	
Utilities-electric	389	
Utilities-general telephone	4,284	9,971
Other charges:		
Dues and memberships	243	
Training	4,813	
Insurance-liability	5,470	
Travel	4,490	
Bank charges	229	
Miscellaneous	120	15,366
Depreciation		38,265
<b>TOTAL OPERATING EXPENSES</b>		<b>445,770</b>
<b>(LOSS) FROM OPERATIONS</b>		<b>(151,617)</b>
<b>NONOPERATING REVENUE</b>		
Contributions from primary government	151,000	
TECB-grants	22,332	
Interest income	1,200	174,532
<b>CHANGE IN NET ASSETS</b>		<b>22,915</b>
<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>		<b>843,516</b>
<b>NET ASSETS AT THE END OF THE YEAR</b>		<b><u>\$ 866,432</u></b>

See the accompanying notes to the financial statements.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2011

<b>CASH PROVIDED(USED) BY OPERATING ACTIVITIES</b>	
Cash received from telephone charges	\$ 295,365
Cash paid to suppliers	(125,790)
Cash paid to employees	<u>(274,992)</u>
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	(105,417)
<b>CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	\$ (23,859)
TECB-grants	<u>4,332</u>
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(19,527)
<b>CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Contributions from primary government	151,000
TECB-grants	<u>18,000</u>
<b>NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	169,000
<b>CASH PROVIDED(USED) BY INVESTING ACTIVITIES</b>	
Interest received	1,200
(Increase) in certificate of deposit	<u>(338)</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>862</u>
<b>NET INCREASE IN CASH</b>	44,919
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<u>536,111</u>
<b>CASH AT THE END OF THE YEAR</b>	<u><u>\$ 581,030</u></u>

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

(continued)

Year Ended June 30, 2011

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

(Loss) from operations		\$ (151,617)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:		
Depreciation	\$ 38,265	
(Increase) decrease in:		
Accounts receivable	(533)	
Due from TECB	(76)	
Due from other governments	1,820	
Prepaid insurance	5,470	
Increase (decrease) in:		
Accounts payable	292	
Accrued payroll	1,004	
Payroll deductions payable	<u>(42)</u>	<u>46,200</u>
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>		<b><u>\$ (105,417)</u></b>

See the accompanying notes to the financial statements.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2011

**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 nonoperating revenue. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as nonoperating 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, 2011

Invested in capital assets: This category includes capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2011 has been calculated as follows:

Capital assets	\$ 454,870
Accumulated depreciation	<u>(198,039)</u>
	<u>\$ 256,831</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, 2011.

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, 2011, 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, 2011

**NOTE C - CASH**

Cash represents money on deposit in various banks. 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.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2011 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, 2011

**NOTE D - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>7/1/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/11</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 333,615	\$ 20,678	\$ 0	\$ 354,293
Leasehold improvements	88,302	0	(3,200)	85,102
Office equipment	26,537	3,181	(14,243)	15,475
Machinery and equipment	<u>12,548</u>	<u>0</u>	<u>(12,548)</u>	<u>0</u>
	461,002	23,859	(29,991)	454,870
<u>Accumulated depreciation</u>				
Communications equipment	(157,053)	(29,010)	0	(186,063)
Leasehold improvements	(4,249)	(4,465)	3,200	(5,514)
Office equipment	(17,821)	(2,884)	14,243	(6,463)
Machinery and equipment	<u>(10,642)</u>	<u>(1,906)</u>	<u>12,548</u>	<u>0</u>
	<u>(189,765)</u>	<u>(38,265)</u>	<u>29,991</u>	<u>(198,039)</u>
	<u>\$ 271,237</u>	<u>\$ (14,406)</u>	<u>\$ 0</u>	<u>\$ 256,831</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, 2011

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://www.tn.gov/treasury./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, 2011 was 5.67% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

#### Annual Pension Cost

For the year ended June 30, 2011, the District's annual pension cost of \$14,436 to the TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include: (a) a rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually.

The actuarial value of plan assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The District's unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 18 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, 2011

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 14,436	100.00%	\$ 0
6/30/10	17,108	100.00	0
6/30/09	14,416	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 (AAL) for benefits was \$0.1 million, and the actuarial value of assets was \$0.0 million, resulting in a UAAL of \$0.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.2 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 AAL's for benefits.

The annual required contribution 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, 2011

**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.

REQUIRED SUPPLEMENTARY INFORMATION

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**FUNDING PROGRESS – POLITICAL SUBDIVISION**  
**PENSION PLAN SUPPLEMENTARY INFORMATION**

June 30, 2011

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, 2011

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
<b>OPERATING REVENUE</b>			
Emergency telephone service charges	\$ 104,433	\$ 120,000	\$ (15,567)
TECB-shared wireless charge	46,555	60,000	(13,445)
TECB-operational funding program	142,791	110,000	32,791
Other operating revenue	375	500	(125)
<b>TOTAL OPERATING REVENUE</b>	294,154	290,500	3,654
<b>OPERATING EXPENSES</b>			
Salaries and wages:			
Director	31,138	31,138	0
Administrative personnel	3,881	5,502	(1,622)
Dispatchers	201,747	206,750	(5,003)
Overtime	26,243	27,500	(1,257)
Part-time personnel	12,945	14,000	(1,055)
	275,954	284,890	(8,936)
Employee benefits:			
Payroll taxes	21,914	23,000	(1,086)
Medical insurance	11,203	13,000	(1,797)
Retirement	14,475	17,000	(2,525)
	47,592	53,000	(5,408)
Contracted services:			
Audit services	4,100	4,100	0
Contracts with government agencies	10,000	10,000	0
Fees paid to service providers	17,377	20,000	(2,623)
Pest control	45	300	(255)
NCIC/TBI/TIES expenses	4,480	4,500	(20)

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET**

(continued)

Year Ended June 30, 2011

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
Contracted services(continued):			
Maintenance and repairs- buildings and facilities	919	1,500	(581)
Maintenance and repairs- communications equipment	17,007	18,450	(1,443)
Maintenance and repairs- office equipment	3,033	4,950	(1,917)
Maintenance and repairs-vehicles	394	500	(106)
Other contracted services	<u>1,268</u>	<u>1,500</u>	<u>(232)</u>
	58,623	65,800	(7,177)
Supplies and materials:			
Custodial supplies	1,440	1,500	(60)
Office supplies	1,618	2,500	(882)
Postage	216	500	(284)
Small equipment purchases	1,327	2,500	(1,173)
Uniforms	697	1,000	(303)
Utilities-electric	389	1,000	(611)
Utilities-general telephone	<u>4,284</u>	<u>7,500</u>	<u>(3,216)</u>
	9,971	16,500	(6,529)
Other charges:			
Dues and memberships	243	500	(257)
Training	4,813	6,000	(1,187)
Insurance-liability	5,470	6,000	(530)
Travel	4,490	5,000	(510)
Premiums on surety bonds	0	250	(250)
Bank charges	229	500	(271)
Board meeting expense	0	150	(150)
Miscellaneous	<u>120</u>	<u>3,800</u>	<u>(3,680)</u>
	15,366	22,200	(6,834)

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET**

(continued)

Year Ended June 30, 2011

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
Depreciation	<u>38,265</u>	<u>40,000</u>	<u>(1,735)</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>445,770</u>	<u>482,390</u>	<u>(36,620)</u>
<b>(LOSS) FROM OPERATIONS</b>	(151,617)	(191,890)	40,273
<b>NONOPERATING REVENUE</b>			
Contributions from primary government	151,000	151,000	0
TECB-grants	22,332	0	22,332
Interest income	<u>1,200</u>	<u>2,500</u>	<u>(1,300)</u>
	<u>174,532</u>	<u>153,500</u>	<u>21,032</u>
<b>CHANGE IN NET ASSETS</b>	22,915	(38,390)	61,305
<b>NET ASSETS AT THE BEGINNING</b>			
<b>OF THE YEAR</b>	<u>843,516</u>	<u>843,516</u>	<u>0</u>
<b>NET ASSETS AT THE END</b>			
<b>OF THE YEAR</b>	<u>\$ 866,432</u>	<u>\$ 805,126</u>	<u>\$ 61,305</u>

See the accompanying independent accountants' audit report.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**EXPENDITURES OF STATE AWARDS**

Year Ended June 30, 2011

<u>Grant Number</u>	<u>Grant Purpose</u>	<u>State Grantor</u>
N/A	Dispatcher Training	Tennessee Department of Commerce and Insurance
N/A	Mapping and Addressing	Tennessee Department of Commerce and Insurance
N/A	Equipment Purchase	Tennessee Department of Commerce and Insurance

See the accompanying independent accountants' audit report.

<u>Receivable July 1, 2010</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable June 30, 2011</u>
\$ 0	\$ 8,000	\$ 8,000	\$ 0
0	10,000	10,000	0
<u>0</u>	<u>4,332</u>	<u>4,332</u>	<u>0</u>
<u>\$ 0</u>	<u>\$ 22,332</u>	<u>\$ 22,332</u>	<u>\$ 0</u>

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

**BOARD OF DIRECTORS**

June 30, 2011

Stanley Boles  
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, 2011 and have issued our report thereon dated October 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

Management of Union County Emergency Communications District is responsible for establishing and maintaining effective 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 an 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.

## 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 October 28, 2011.

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*

October 28, 2011