

Financial Statements

UNION COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Year Ended June 30, 2012

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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, 2012 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 the 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, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 and the schedule of funding progress-political subdivision pension plan supplementary information on page 18 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Union County Emergency Communications District's financial statements as a whole. The accompanying information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not required part of the financial statements. The schedule of long-term debt requirements, schedule of expenditures of state awards and statement of revenue and expenses - actual and budget are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The schedule of the board of directors has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013 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.

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

January 30, 2013

Union County E-911

130 Veterans Street, Suite A
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, 2012. 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>2012</u>	<u>2011</u>
NET ASSETS		
Current assets	\$ 688,411	\$ 633,562
Capital assets, net of accumulated depreciation	<u>241,145</u>	<u>256,831</u>
Total assets	<u>\$ 929,556</u>	<u>\$ 890,393</u>
Liabilities	\$ 11,769	\$ 23,961
Net assets:		
Invested in capital assets	241,145	256,831
Restricted	17,242	0
Unrestricted	<u>659,401</u>	<u>609,601</u>
	<u>917,787</u>	<u>866,432</u>
Total liabilities and net assets	<u>\$ 929,556</u>	<u>\$ 890,393</u>
CHANGE IN NET ASSETS		
Operating revenue	\$ 276,165	\$ 294,154
Operating expenses	<u>404,552</u>	<u>445,770</u>
Operating (loss)	(128,387)	(151,617)
Nonoperating revenue(expense)	<u>179,743</u>	<u>174,532</u>
Change in net assets	51,355	22,915
Beginning net assets	<u>866,432</u>	<u>843,516</u>
Ending net assets	<u>\$ 917,787</u>	<u>\$ 866,432</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 \$51,355 during the year ended June 30, 2012. Operating revenue decreased at a rate of 6% while operating expenses decreased by 8%.

THE DISTRICT'S NET ASSETS

The District completed the year with net assets of \$917,787 which is \$51,355 more than last year's ending net assets of \$866,432, an increase of 6% compared to last year.

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 \$11,654 less than budgeted revenue. State shared wireless revenue decreased as compared to the prior year and was \$520 less than the budgeted income. Operating income decreased as compared to the prior year and was \$54,335 less than the budgeted income. Actual expenses were \$78,948 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 \$468,086 with accumulated depreciation of \$226,941. Capital assets include the leasehold improvements, communications equipment 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, 2012

ASSETS

CURRENT ASSETS

Cash		\$ 639,410
Certificate of deposit		36,549
Accounts receivable		5,092
Due from TECB		<u>7,360</u>

TOTAL CURRENT ASSETS 688,411

CAPITAL ASSETS

Communications equipment	\$ 367,509	
Office equipment	15,475	
Leasehold improvements	<u>85,102</u>	
	468,086	
Accumulated depreciation	<u>(226,941)</u>	<u>241,145</u>

TOTAL ASSETS \$ 929,556

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable		\$ 842
Accrued payroll		<u>10,927</u>

TOTAL CURRENT LIABILITIES 11,769

NET ASSETS

Invested in capital assets	\$ 241,145	
Restricted for mapping	17,242	
Unrestricted	<u>659,401</u>	<u>917,787</u>

TOTAL LIABILITIES AND NET ASSETS \$ 929,556

See the accompanying notes to the financial statements.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

Year Ended June 30, 2012

OPERATING REVENUE

Emergency telephone service charges		\$ 88,346
TECB-shared wireless charge		44,480
TECB-operational funding program		142,814
Other operating revenue		<u>525</u>

TOTAL OPERATING REVENUE 276,165

OPERATING EXPENSES

Salaries and wages:		
Director	\$ 21,445	
Administrative personnel	1,688	
Dispatchers	188,591	
Overtime	26,458	
Part-time personnel	<u>21,494</u>	259,675

Employee benefits:		
Payroll taxes	21,544	
Medical insurance	11,697	
Retirement	<u>13,735</u>	46,975

Contracted services:		
Auditing services	4,400	
Contracts with government agencies	10,000	
Data processing services	2,712	
Fees paid to service providers	9,527	
NCIC/TBI/TIES expenses	4,480	
Maintenance and repairs-buildings and facilities	485	
Maintenance and repairs-communications equipment	17,992	
Maintenance and repairs-office equipment	180	
Other contracted services	<u>2,469</u>	52,244

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

(continued)

Year Ended June 30, 2012

Supplies and materials:		
Custodial supplies	1,213	
Office supplies	1,872	
Postage	178	
Small equipment purchases	754	
Uniforms	892	
Utilities-electric	602	
Utilities-general telephone	<u>4,329</u>	9,841
Other charges:		
Dues and memberships	254	
Training	1,502	
Travel	4,937	
Bank charges	<u>221</u>	6,913
Depreciation		<u>28,902</u>
TOTAL OPERATING EXPENSES		<u>404,552</u>
(LOSS) FROM OPERATIONS		(128,387)
NONOPERATING REVENUE(EXPENSE)		
Contributions from primary government	151,000	
TECB-grants	35,242	
Interest income	1,162	
Miscellaneous expense	<u>(7,662)</u>	<u>179,743</u>
CHANGE IN NET ASSETS		51,355
NET ASSETS AT THE BEGINNING OF THE YEAR		<u>866,432</u>
NET ASSETS AT THE END OF THE YEAR		<u><u>\$ 917,787</u></u>

See the accompanying notes to the financial statements.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

CASH PROVIDED(USED) BY OPERATING ACTIVITIES	
Cash received from telephone charges	\$ 279,974
Cash paid to suppliers	(116,755)
Cash paid to employees	<u>(271,086)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(107,868)
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(13,215)
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Contributions from primary government	\$ 151,000
TECB-grants	35,242
Miscellaneous expense	<u>(7,662)</u>
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	178,580
CASH PROVIDED(USED) BY INVESTING ACTIVITIES	
Interest received	1,162
(Increase) in certificate of deposit	<u>(278)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>884</u>
NET INCREASE IN CASH	58,380
CASH AT THE BEGINNING OF THE YEAR	<u>581,030</u>
CASH AT THE END OF THE YEAR	<u><u>\$ 639,410</u></u>

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

(continued)

Year Ended June 30, 2012

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

(Loss) from operations		\$ (128,387)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:		
Depreciation	\$ 28,902	
Decrease in:		
Accounts receivable	3,255	
Due from TECB	363	
Other receivables	191	
(Decrease) in:		
Accounts payable	(781)	
Accrued payroll	<u>(11,411)</u>	<u>20,519</u>
NET CASH (USED) BY OPERATING ACTIVITIES		<u>\$ (107,868)</u>

See the accompanying notes to the financial statements.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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's financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net assets. The statement of revenue, expenses and change in net assets presents increases (revenue) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which 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.

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, 2012

Invested in capital assets: This category includes capital assets, net of accumulated depreciation. Invested in capital assets at June 30, 2012 has been calculated as follows:

Capital assets	\$ 468,086
Accumulated depreciation	<u>(226,941)</u>
	<u>\$ 241,145</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 \$17,242 in restricted net assets as of June 30, 2012. These restricted net assets represent unspent geographic information system (GIS) mapping grant funds received from the State of Tennessee Emergency Communications Board.

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 that are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2012, 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, 2012

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

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, nonconvertible 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 of Tennessee 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, 2012 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, 2012

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>7/1/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/12</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 354,293	\$ 13,215	\$ 0	\$ 367,509
Leasehold improvements	85,102	0	0	85,102
Office equipment	<u>15,475</u>	<u>0</u>	<u>0</u>	<u>15,475</u>
	454,870	13,215	0	468,086
<u>Accumulated depreciation</u>				
Communications equipment	(186,063)	(23,262)	0	(209,325)
Leasehold improvements	(5,514)	(2,545)	0	(8,059)
Office equipment	<u>(6,463)</u>	<u>(3,095)</u>	<u>0</u>	<u>(9,558)</u>
	<u>(198,039)</u>	<u>(28,902)</u>	<u>0</u>	<u>(226,941)</u>
	<u>\$ 256,831</u>	<u>\$ (15,687)</u>	<u>\$ 0</u>	<u>\$ 241,145</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, 2012

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, 2012 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, 2012, the District's annual pension cost of \$13,735 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, 2011, which established contribution rates effective July 1, 2012.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 13,735	100.00%	\$ 0
6/30/11	17,108	100.00	0
6/30/10	14,436	100.00	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 71.08% funded. The actuarial accrued liability (AAL) for benefits was \$0.18 million, and the actuarial value of assets was \$0.12 million, resulting in a UAAL of \$0.05 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.25 million, and the ratio of the UAAL to the covered payroll was 19.96%.

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.

Actuarial valuation date	7/1/11	7/1/09	7/1/07
Actuarial value of plan assets	\$ 125,000	\$ 39,000	\$ 0
Actuarial accrued liability (AAL)	176,000	100,000	N/A
Unfunded AAL (UAAL)	51,000	62,000	N/A
Funded ratio	71.08%	38.61%	N/A
Covered payroll	255,000	219,000	0
UAAL as a percentage of covered payroll	19.96%	28.04%	N/A

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2012

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, 2012

Actuarial valuation date	7/1/11	7/1/09	7/1/07
Actuarial value of plan assets	\$ 125,000	\$ 39,000	\$ 0
Actuarial accrued liability (AAL)	176,000	100,000	N/A
Unfunded AAL (UAAL)	51,000	62,000	N/A
Funded ratio	71.08%	38.61%	N/A
Covered payroll	255,000	219,000	0
UAAL as a percentage of covered payroll	19.96%	28.04%	N/A

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, 2012

	<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	\$ 88,346	\$ 100,000	\$ (11,654)
TECB-shared wireless charge	44,480	45,000	(520)
TECB-operational funding program	142,814	185,000	(42,186)
Other operating revenue	525	500	25
TOTAL OPERATING REVENUE	276,165	330,500	(54,335)
OPERATING EXPENSES			
Salaries and wages:			
Director	21,445	49,500	(28,055)
Administrative personnel	1,688	3,500	(1,813)
Dispatchers	188,591	200,000	(11,409)
Overtime	26,458	31,000	(4,542)
Part-time personnel	21,494	14,000	7,494
	259,675	298,000	(38,325)
Employee benefits:			
Payroll taxes	21,544	24,000	(2,456)
Medical insurance	11,697	13,500	(1,803)
Retirement	13,735	16,000	(2,266)
	46,975	53,500	(6,525)
Contracted services:			
Audit services	4,400	4,400	0
Contracts with government agencies	10,000	10,000	0
Data processing services	2,712	2,200	512
Fees paid to service providers	9,527	18,000	(8,473)
NCIC/TBI/TIES expenses	4,480	4,750	(270)

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2012

	<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	485	1,000	(515)
Maintenance and repairs- communications equipment	17,992	19,500	(1,508)
Maintenance and repairs- office equipment	180	2,000	(1,820)
Other contracted services	2,469	2,000	469
	52,244	63,850	(11,606)
Supplies and materials:			
Custodial supplies	1,213	1,500	(287)
Office supplies	1,872	2,000	(128)
Postage	178	500	(322)
Small equipment purchases	754	2,000	(1,246)
Uniforms	892	1,000	(108)
Utilities-electric	602	1,000	(398)
Utilities-general telephone	4,329	5,000	(671)
	9,841	13,000	(3,159)
Other charges:			
Dues and memberships	254	500	(246)
Training	1,502	5,000	(3,499)
Insurance-liability	0	6,500	(6,500)
Travel	4,937	5,000	(63)
Premiums on surety bonds	0	2,000	(2,000)
Bank charges	221	500	(280)
Board meeting expense	0	150	(150)
Miscellaneous	0	500	(500)
	6,913	20,150	(13,237)

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2012

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
Depreciation	<u>28,902</u>	<u>35,000</u>	<u>(6,098)</u>
TOTAL OPERATING EXPENSES	<u>404,552</u>	<u>483,500</u>	<u>(78,948)</u>
(LOSS) FROM OPERATIONS	(128,387)	(153,000)	24,613
NONOPERATING REVENUE(EXPENSE)			
Contributions from primary government	151,000	151,000	0
TECB-grants	35,242	0	35,242
Interest income	1,162	2,000	(838)
Miscellaneous expense	<u>(7,662)</u>	<u>0</u>	<u>(7,662)</u>
	<u>179,743</u>	<u>153,000</u>	<u>26,743</u>
CHANGE IN NET ASSETS	51,355	0	51,355
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>866,432</u>	<u>866,432</u>	<u>0</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 917,787</u>	<u>\$ 866,432</u>	<u>\$ 51,355</u>

See the accompanying independent accountants' audit report.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2012

<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

See the accompanying independent accountants' audit report.

<u>Receivable</u> <u>July 1, 2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>(Unexpended)</u> <u>June 30, 2012</u>
\$ 0	\$ 8,000	\$ 8,000	\$ 0
<u>0</u>	<u>27,242</u>	<u>10,000</u>	<u>(17,242)</u>
<u>\$ 0</u>	<u>\$ 35,242</u>	<u>\$ 18,000</u>	<u>\$ (17,242)</u>

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BOARD OF DIRECTORS

June 30, 2012

Stanley Boles
Joyce Meltabarger
Andrew Reed
R.L. Jones
Burney Hutchinson
Melborne Munsey
Jim Houston
Ernold Breeding
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, 2012 and have issued our report thereon dated January 30, 2013. 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 Union County Emergency Communications District'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 January 30, 2013.

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.

January 30, 2013