

Financial Statements

UNION COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Year Ended June 30, 2013

TABLE OF CONTENTS

	<u>Page Nos.</u>
INDEPENDENT ACCOUNTANTS' AUDIT REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-6
FINANCIAL STATEMENTS	
Statement of Net Position	7
Statement of Revenue, Expenses and Change in Net Position	8-9
Statement of Cash Flows	10-11
Notes to the Financial Statements	12-18
REQUIRED SUPPLEMENTARY INFORMATION	
Funding Progress - Political Subdivision Pension Plan Supplementary Information	19
OTHER SUPPLEMENTARY INFORMATION	
Statement of Revenue and Expenses - Actual and Budget	20-22
Board of Directors	23
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 <i>Government Auditing Standards</i>	24-25

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Union County Emergency Communications District
Maynardville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Union County Emergency Communications District, a component unit of Union County, Tennessee, as of June 30, 2013 which comprise the statement of net position, the related statement of revenue, expenses and change in net position and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the net position of Union County Emergency Communications District as of June 30, 2013 and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 to 6 and the schedule of funding progress – political subdivision pension plan supplementary information on page 19 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 information 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.

Other Information

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. The statement of revenue and expenses – actual and budget as well as the schedule of the board of directors are presented for purposes of additional analysis and are not a required part of the financial statements.

The statement of revenue and expenses – actual and budget is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 statement of revenue and expenses – actual and budget is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2014 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* in considering Union County Emergency Communications District's internal control over financial reporting and compliance.

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

February 5, 2014

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 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the District's financial statements, as listed in the table of contents.

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 position 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 position. 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. This 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 position and the statement of revenue, expenses and change in net position report information about the District's activities in a way that will help answer this question. The two statements report the net position of the District and the changes in it. One can think of the District's net position, the difference between assets and liabilities, as one way to measure financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. A summary of the District's net position and change in it is presented below:

SUMMARIZED FINANCIAL INFORMATION

	<u>2013</u>	<u>2012</u>
NET POSITION		
Current assets	\$ 827,709	\$ 688,411
Capital assets, net of accumulated depreciation	<u>216,610</u>	<u>241,145</u>
TOTAL ASSETS	<u>\$ 1,044,319</u>	<u>\$ 929,556</u>
Liabilities	\$ 34,603	\$ 11,769
Net position:		
Investment in capital assets	216,610	241,145
Restricted	0	17,242
Unrestricted	<u>793,106</u>	<u>659,401</u>
	<u>1,009,716</u>	<u>917,787</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,044,319</u>	<u>\$ 929,556</u>
CHANGE IN NET POSITION		
Operating revenue	\$ 358,725	\$ 276,165
Operating expenses	<u>419,051</u>	<u>404,552</u>
(LOSS) FROM OPERATIONS	(150,486)	(128,387)
Nonoperating revenue(expense)	<u>152,254</u>	<u>179,743</u>
CHANGE IN NET POSITION	91,929	51,355
NET POSITION AT THE BEGINNING OF THE YEAR	<u>917,787</u>	<u>866,432</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 1,009,716</u>	<u>\$ 917,787</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District completed the year ended June 30, 2013 with net position of \$1,009,716, which is \$91,929 more than prior year's ending net position of \$917,787, an increase of 10% compared to the prior year. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by \$133,705 or 20% during the year ended June 30, 2013. The increase in net position was due primarily to an increase in revenue received from the State of Tennessee Emergency Communications Board. The increase in total net position was the result of the increase in unrestricted net position.

The operations of the District (a component unit of Union County, Tennessee) are primarily funded as follows:

	<u>2013</u>	<u>2012</u>
Emergency telephone service charges	\$ 78,662	\$ 88,346
TECB-shared wireless charge	46,967	44,480
TECB-operational funding program	233,021	142,814

BUDGETARY HIGHLIGHTS

The District adopts an annual operating budget, which includes proposed expenses and the means for paying those 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 \$21,338 less than budgeted revenue. State shared wireless revenue increased as compared to the prior year and was \$1,967 more than the budgeted income. Operating income increased as compared to the prior year and was \$48,021 more than the budgeted income. Actual expenses were \$1,349 less than the budgeted amount.

CAPITAL ASSETS

At June 30, 2013, the District had \$216,610 invested in capital assets, net of accumulated depreciation, a decrease of \$24,535 or 10% over the prior year. This change was a result of depreciation expense of \$28,898 and an increase in office equipment of \$4,363. Additional information on capital assets can be found in Note F.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing the Union County Emergency Communications District is the potential continued 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, in recent years, increased funding from the Tennessee Emergency Communications Board in the form of operational funding, grants and reimbursements have more than offset the decrease in emergency telephone service charges.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This 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, please contact Andrew Reed, Interim Director of the Union County Emergency Communications District, 130 Veterans Street, Suite A, Maynardville, TN 37807.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

ASSETS

CURRENT ASSETS

Cash		\$ 776,900
Certificate of deposit		36,723
Accounts receivable		6,076
Due from TECB		<u>8,011</u>

TOTAL CURRENT ASSETS 827,709

CAPITAL ASSETS

Communications equipment	\$ 367,509	
Office equipment	19,838	
Leasehold improvements	<u>85,102</u>	
	472,449	
Accumulated depreciation	<u>(255,839)</u>	<u>216,610</u>

TOTAL ASSETS \$ 1,044,319

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable		\$ 3,938
Accrued payroll		<u>30,665</u>

TOTAL CURRENT LIABILITIES 34,603

NET POSITION

Investment in capital assets	\$ 216,610	
Unrestricted	<u>793,106</u>	<u>1,009,716</u>

TOTAL LIABILITIES AND NET POSITION \$ 1,044,319

See the accompanying notes to the financial statements.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

Year Ended June 30, 2013

OPERATING REVENUE

Emergency telephone service charges		\$ 78,662
TECB-shared wireless charge		46,967
TECB-operational funding program		233,021
Other operating revenue		<u>75</u>

TOTAL OPERATING REVENUE 358,725

OPERATING EXPENSES

Salaries and wages:		
Administrative personnel	\$ 1,980	
Dispatchers	221,549	
Overtime	25,894	
Part-time personnel	<u>27,001</u>	276,423

Employee benefits:		
Payroll taxes	21,901	
Medical insurance	11,343	
Retirement	<u>13,995</u>	47,239

Contracted services:		
Auditing services	4,700	
Data processing services	2,187	
Fees paid to service providers	14,061	
NCIC/TBI/TIES expenses	4,480	
Maintenance and repairs-buildings and facilities	294	
Maintenance and repairs-communications equipment	21,539	
Other contracted services	<u>1,988</u>	49,249

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

(continued)

Year Ended June 30, 2013

Supplies and materials:		
Custodial supplies	1,022	
Office supplies	1,954	
Postage	75	
Small equipment purchas	776	
Utilities-electric	919	
Utilities-general telephon	3,063	7,809
Other charges:		
Dues and memberships	254	
Insurance	7,350	
Training	340	
Travel	1,170	
Miscellaneous	117	
Bank charges	201	9,433
Depreciation		28,898
TOTAL OPERATING EXPENSES		419,051
(LOSS) FROM OPERATIONS		(60,326)
NONOPERATING REVENUE		
Contributions from primary government	151,000	
Interest income	1,254	152,254
CHANGE IN NET POSITION		91,929
NET POSITION AT THE BEGINNING OF THE YEAR		917,787
NET POSITION AT THE END OF THE YEAR		\$ 1,009,716

See the accompanying notes to the financial statements.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

CASH PROVIDED(USED) BY OPERATING ACTIVITIES	
Cash received from telephone charges	\$ 357,091
Cash paid to suppliers	(112,424)
Cash paid to employees	<u>(254,895)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(10,228)
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(4,363)
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Contributions from primary government	151,000
CASH PROVIDED(USED) BY INVESTING ACTIVITIES	
Interest received	1,254
(Increase) in certificate of deposit	<u>(174)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,081</u>
NET INCREASE IN CASH	137,490
CASH AT THE BEGINNING OF THE YEAR	<u>639,410</u>
CASH AT THE END OF THE YEAR	<u><u>\$ 776,900</u></u>

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

(continued)

Year Ended June 30, 2013

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

(Loss) from operations		\$ (60,326)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities:		
Depreciation	\$ 28,898	
(Increase) in:		
Accounts receivable	(984)	
Due from TECB	(650)	
Increase in:		
Accounts payable	3,096	
Accrued payroll	<u>19,738</u>	<u>50,098</u>
NET CASH (USED) BY OPERATING ACTIVITIES		<u>\$ (10,228)</u>

See the accompanying notes to the financial statements.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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 position. The statement of revenue, expenses and change in net position presents increases (revenue) and decreases (expenses) in total net position. 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 position groups:

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

Investment in capital assets: This category includes capital assets, net of accumulated depreciation. Investment in capital assets at June 30, 2013 has been calculated as follows:

Capital assets	\$ 472,449
Accumulated depreciation	<u>(255,839)</u>
	<u>\$ 216,610</u>

Restricted: This category includes net position 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 position as of June 30, 2013

Unrestricted: This category includes net position that are not subject to externally imposed stipulations and that do not meet the definition of “restricted” or “investment in capital assets”. Unrestricted net position 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, 2013, 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, 2013

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position 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, 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 Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP 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.

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 of the District's cash and cash equivalent balances at June 30, 2013 were either insured through the Federal Deposit Insurance Corporation or through the State of Tennessee Bank Collateral Pool.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>7/1/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/13</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 367,509	\$ 0	\$ 0	\$ 367,509
Leasehold improvements	85,102	0	0	85,102
Office equipment	<u>15,475</u>	<u>4,363</u>	<u>0</u>	<u>19,839</u>
	468,086	4,363	0	472,449
<u>Accumulated depreciation</u>				
Communications equipment	(209,325)	(23,185)	0	(232,510)
Leasehold improvements	(8,059)	(2,545)	0	(10,604)
Office equipment	<u>(9,558)</u>	<u>(3,168)</u>	<u>0</u>	<u>(12,725)</u>
	<u>(226,941)</u>	<u>(28,898)</u>	<u>0</u>	<u>(255,839)</u>
	<u>\$ 241,145</u>	<u>\$ (24,535)</u>	<u>\$ 0</u>	<u>\$ 216,610</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 duty.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

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, 2013 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, 2013, the District's annual pension cost of \$12,985 to the TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2011 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, 2011 was 7 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, 2013

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/13	\$ 12,985	100.00%	\$ 0
6/30/12	13,735	100.00	0
6/30/11	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
Actuarial value of plan assets	\$ 125,000
Actuarial accrued liability (AAL)	176,000
Unfunded AAL (UAAL)	51,000
Funded ratio	71.08%
Covered payroll	255,000
UAAL as a percentage of covered payroll	19.96%

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2013

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, 2013

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, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
OPERATING REVENUE			
Emergency telephone service charges	\$ 78,662	\$ 100,000	\$ (21,338)
TECB-shared wireless charge	46,967	45,000	1,967
TECB-operational funding program	233,021	185,000	48,021
Other operating revenue	<u>75</u>	<u>500</u>	<u>(425)</u>
TOTAL OPERATING REVENUE	358,725	330,500	28,225
OPERATING EXPENSES			
Salaries and wages:			
Director	0	16,000	(16,000)
Administrative personnel	1,980	5,000	(3,020)
Dispatchers	221,549	206,000	15,549
Overtime	25,894	26,500	(606)
Part-time personnel	<u>27,001</u>	<u>28,000</u>	<u>(999)</u>
	276,423	281,500	(5,077)
Employee benefits:			
Payroll taxes	21,901	22,000	(99)
Medical insurance	11,343	13,500	(2,157)
Retirement	<u>13,995</u>	<u>13,000</u>	<u>995</u>
	47,239	48,500	(1,261)
Contracted services:			
Audit services	4,700	4,800	(100)
Data processing services	2,187	3,000	(813)
Fees paid to service providers	14,061	16,000	(1,939)
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, 2013

	Actual	Budget	Variance Over (Under)
Contracted services(continued):			
Maintenance and repairs- buildings and facilities	294	1,000	(706)
Maintenance and repairs- communications equipment	21,539	25,500	(3,961)
Maintenance and repairs- office equipment	0	2,000	(2,000)
Other contracted services	1,988	2,000	(12)
	49,249	59,050	(9,801)
Supplies and materials:			
Custodial supplies	1,022	1,500	(478)
Office supplies	1,954	2,000	(46)
Postage	75	500	(425)
Small equipment purchases	776	3,000	(2,224)
Utilities-electric	919	1,000	(81)
Utilities-general telephone	3,063	5,000	(1,937)
	7,809	13,000	(5,191)
Other charges:			
Dues and memberships	254	500	(246)
Training	340	2,350	(2,010)
Insurance-liability	7,350	7,350	0
Travel	1,170	5,000	(3,830)
Premiums on surety bonds	0	2,000	(2,000)
Bank charges	201	500	(299)
Board meeting expense	0	150	(150)
Miscellaneous	117	500	(383)
	9,433	18,350	(8,917)

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Depreciation	<u>28,898</u>	<u>0</u>	<u>28,898</u>
TOTAL OPERATING EXPENSES	<u>419,051</u>	<u>420,400</u>	<u>(1,349)</u>
(LOSS) FROM OPERATIONS	(60,326)	(89,900)	29,574
NONOPERATING REVENUE			
Contributions from primary government	151,000	151,000	0
Interest income	<u>1,254</u>	<u>2,000</u>	<u>(746)</u>
	<u>152,254</u>	<u>153,000</u>	<u>(746)</u>
CHANGE IN NET POSITION	91,929	63,100	28,829
NET POSITION AT THE BEGINNING OF THE YEAR	<u>917,787</u>	<u>917,787</u>	<u>0</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 1,009,716</u>	<u>\$ 980,887</u>	<u>\$ 28,829</u>

See the accompanying independent accountants' audit report.

UNION COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BOARD OF DIRECTORS

June 30, 2013

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, in accordance with the 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, the financial statements of Union County Emergency Communications District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Union County Emergency Communications District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Union County Emergency Communications District's internal control.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Union County Emergency Communications District's financial statements will not be prevented or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Union County Emergency Communications District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union County Emergency Communications District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

February 5, 2014