

**MONROE COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**
(a component unit of Monroe County, Tennessee)
ANNUAL FINANCIAL REPORT
June 30, 2009

INTRODUCTORY SECTION

Enclosed is the annual financial report of Monroe County Emergency Communications District. The financial report consists of the following sections:

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

This annual financial report is presented by the following officials:

Board of Directors

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

Benny Moser
201 Young Drive
Sweetwater, TN 37874

Judge Burl Moser
P.O. Box 34
Vonore, TN 37885

Sheriff Bill Bivens
319 Hickory Street
Madisonville, TN 37354

David Cleveland
1310 Park Street
Sweetwater, TN 37874

Management

Phillip Axley
3475 New Highway 68
Madisonville, TN 37354

Chief Greg Breeden
315 Englewood Road
Madisonville, TN 37354

Charles Hall
P.O. Box 89
Tellico Plains, TN 37385

Chief Eddie Byrum
203 Monroe Street
Sweetwater, TN 37874

Clara Hitson, Director
P.O. Box 869
Madisonville, TN 37354

MANAGEMENT'S DISCUSSION AND ANALYSIS

Monroe County Emergency Communications District's (the "District") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and currently known facts, please read it in conjunction with the Introductory Section and the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets decreased by \$44,835, or approximately 6.61%, to \$633,735 over the prior year.
- Operating revenues decreased by \$34,404, or approximately 8.60%, over the prior year primarily due to a decrease in operational funding by the Tennessee Emergency Communications Board over the prior year.
- Contributions from primary and other governments increased by \$23,125, or approximately 9.34%, over the prior year.
- Other nonoperating revenues increased by \$15,429 over the prior year. The District received a \$10,000 grant from TENA in the current year.
- Operating expenses, excluding the noncash charge of \$48,751 for depreciation, decreased by \$6,032, or approximately 1%, over the prior year.

ECONOMIC FACTORS

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

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

FINANCIAL CONTACT

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

MONROE COUNTY
EMERGENCY COMMUNICATIONS DISTRICT
(a component unit of Monroe County, Tennessee)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 and 2008
WITH
INDEPENDENT AUDITOR'S REPORT

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 and 2008

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PETERS & ASSOCIATES, P.C.

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

Independent Auditor's Report

We have audited the accompanying financial statements of the Monroe County Emergency Communications District, a component unit of Monroe County, Tennessee, as of and for the years ended June 30, 2009 and 2008, as listed in the Table of Contents. These financial statements are the responsibility of the management of the Monroe County Emergency Communications District. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Monroe County Emergency Communications District, a component unit of Monroe County, Tennessee, as of June 30, 2009 and 2008 and the changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the financial statements present only the Monroe County Emergency Communications District, a component unit of Monroe County, and do not purport to, and do not, present fairly the financial position of Monroe County, Tennessee, as of June 30, 2009 and 2008, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2010, on our consideration of Monroe County Emergency Communications District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considered in assessing the results of audits.

The *Management's Discussion and Analysis* information is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Peters & Associates

May 15, 2010

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

STATEMENTS OF NET ASSETS

JUNE 30, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
<u>Current Assets</u>		
Cash	\$242,430	\$263,056
Accrued interest receivable	6,985	4,039
Total Current Assets	249,415	267,095
<u>Noncurrent Assets</u>		
Capital Assets, Net of Accumulated Depreciation	384,320	411,475
Total Assets	\$633,735	\$678,570
 <u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accrued Interest Payable	\$ -	\$759
Current Portion of Capitalized Lease Obligations	8,235	7,725
Total Current Liabilities	8,235	8,484
<u>Noncurrent Liabilities</u>		
Capitalized Lease Obligations - Vehicle	-	8,235
Total Liabilities	8,235	16,719
 <u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	376,085	395,515
Unrestricted Net Assets	249,415	266,336
Total Net Assets	625,500	661,851
	\$633,735	\$678,570

See accompanying notes to financial statements.

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES:		
Emergency Telephone Service Charge	\$167,123	\$175,019
TECB - Shared Wireless Charge	164,020	193,470
TECB - Operational Funding	34,694	31,752
	365,837	400,241
OPERATING EXPENSES:		
Salaries and Wages	369,916	371,853
Employee Benefits	115,569	111,385
Contracted Services	102,538	106,305
Supplies and Materials	41,930	38,000
Other Charges	16,637	18,072
Depreciation	48,751	55,758
	695,341	701,373
Total Operating Expenses		
	695,341	701,373
Operating Loss	(329,504)	(301,132)
NONOPERATING REVENUES (EXPENSES):		
Interest Income	6,420	6,473
Interest Expense	(294)	(759)
Contributions from Primary Government	112,400	110,000
Contributions from Other Governments and Agencies	158,325	137,600
Tena Grant	10,000	-
Miscellaneous Income	6,302	820
	293,153	254,134
Net Income (Loss)	(36,351)	(46,998)
Net Assets, Beginning of Year	661,851	708,849
Net Assets, End of Year	\$625,500	\$661,851

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Surcharges and Other Revenues	\$365,837	\$410,877
Payments to Suppliers for Goods and Services	(161,105)	(162,377)
Payments for Payroll, Taxes and Related Benefits	(485,485)	(483,238)
Net Cash Used by Operating Activities	(280,753)	(234,738)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Contributions from Primary and Other Governments	270,725	247,600
Grants received	10,000	-
Receipts from Miscellaneous Income	6,302	820
Net Cash Provided by Noncapital Financing Activities	287,027	248,420
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Capital Assets	(21,596)	(114,055)
Proceeds of Capitalized Lease Obligation	-	24,738
Retirement of Capitalized Lease Obligation	(8,778)	(8,778)
Net Cash Used for Capital and Related Financing Activities	(30,374)	(98,095)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income Received	3,474	2,434
Net Cash Provided from Investing Activities	3,474	2,434
Net Increase (Decrease) in Cash and Cash Equivalents	(20,626)	(81,979)
Cash and Cash Equivalents, Beginning of Year	263,056	345,035
Cash and Cash Equivalents, End of Year	\$242,430	\$263,056
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating loss	\$(329,504)	\$(301,132)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	48,751	55,758
Change in Accounts Receivable and Other Assets	-	10,636
Net Cash Used by Operating Activities	\$(280,753)	\$(234,738)

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 and 2008

1. SIGNIFICANT ACCOUNTING POLICIES

A. Introduction.

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

B. Reporting Entity.

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

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

C. Basis of Accounting.

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 and 2008

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

D. Accounts Receivable.

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

E. Budgeting and Budgetary Control.

The revenues and expenses are accounted for by a formal integrated budgetary accounting system in accordance with various legal requirements that govern the operations. Budgets are adopted on a basis consistent with generally accepted accounting principles. The resources of such funds are appropriated based on resolutions adopted by the District's Board of Directors which authorized the District to incur expenses.

The budgets reflected in the accompanying *Schedule 1 - Comparison of Actual Revenues and Expenses to Budget* are the budgets for the year ended June 30, 2009, as amended. Appropriations lapse at year end. Increases in appropriations must be approved by the District's Board of Directors.

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

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

G. Revenue.

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

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

H. Capital Assets.

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 and 2008

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

I. Reclassifications.

Certain reclassifications have been made to the June 30, 2008 financial statement presentation to correspond to the current year's format. Total retained earnings and net income are unchanged due to these reclassifications.

2. CASH

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

All cash deposits for the Monroe County Emergency Communications District are maintained on deposit with local banks. Cash deposits amounted to \$242,430 and \$263,056 at June 30, 2009 and 2008, respectively. State of Tennessee statutes require that banks pledge securities against bank balances in excess of the amounts protected by the Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2009, the entire bank balances were covered by federal depository insurance, or by collateral held in the Tennessee Bank Collateral Pool (the "Pool"). The Pool is a multiple financial institution collateral pool to which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The Pool also has the ability to make additional assessments on a pro rata basis to the members of the Pool if the value of collateral is inadequate to cover a loss.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 and 2008

3. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

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

Depreciation charged to revenues was \$48,751 and \$55,758 for the years ended June 30, 2009 and 2008, respectively.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 and 2008

4. Capitalized Lease Obligation

The District entered into a financing lease with Ford Motor Credit Company for a vehicle. The terms of the lease call for the District to make three annual payments of \$8,778, in advance. The lease carries an interest rate of 6.60%. Title passes to the District after the final payment. The lease is secured by a vehicle with a carrying value of \$16,285. Future minimum payments under the lease are as follows:

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

5. RISK MANAGEMENT

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, workers compensation, and employee health and accident. The District also maintains a surety bond in the amount of \$50,000 on certain members of the Board of Directors and the District's employee director. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

6. FACILITIES

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 and 2008

7. PENSION PLAN

A. Plan Description

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

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

B. Funding Policy

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

Monroe County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 6.53% of annual covered payroll. The contribution requirements of plan members is set by state statute. The contribution requirements for Monroe County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 and 2008

C. Annual Pension Cost

For the year ending June 30, 2009, Monroe County Emergency Communications District's annual pension cost of \$21,406 to TCRS was equal to Monroe County Emergency Communications District's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Monroe County Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 16 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

TREND INFORMATION

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$21,406	100%	\$0
June 30, 2008	\$22,275	100%	\$0
June 30, 2007	\$21,600	100%	\$0

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 and 2008

D. Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 77.71% funded. The actuarial accrued liability for benefits was \$0.49 million, and the actuarial value of assets was \$0.38 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.11 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0 million, and the ratio of the UAAL to the covered payroll was 35.13%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

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

(Dollar amounts in thousands)

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

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding progress using the entry age actuarial method was a change made during the year and therefore only the most current year is presented.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(a component unit of Monroe County, Tennessee)
COMPARISON OF ACTUAL REVENUES AND EXPENSES TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2009

	ACTUAL (ACCRUAL BASIS)	BUDGET (ACCRUAL BASIS)	VARIANCE - UNDER (OVER)
OPERATING REVENUES:			
Emergency Telephone Service Charge	\$167,123	\$170,000	\$(2,877)
TECB - Shared Wireless Charge	164,020	170,000	(5,980)
TECB - Operational Funding	34,694	30,000	4,694
Total Operating Revenues	365,837	370,000	(4,163)
OPERATING EXPENSES:			
Salaries and Wages			
Director	53,015	53,250	235
Dispatchers	228,711	229,000	289
Overtime Pay	21,778	22,000	222
Part-time Personnel	17,449	18,000	551
Address/Clerical Personnel	48,964	49,000	36
Employee Benefits			
Social Security & Medicare Taxes	28,320	28,500	180
Unemployment Compensation	315	500	185
Medical Insurance	64,578	65,000	422
Life Insurance	751	800	49
Retirement	21,605	22,000	395
Contracted Services			
Addressing/Mapping Expenses	2,483	2,500	17
Auditing Services	3,900	4,050	150
Accounting Services	4,000	4,000	0
Janitorial Services	124	250	126
Systems Manager	12,020	12,320	300
MCIC/TBI/TIES Expenses	7,640	8,000	360
Lease - Communications Equipment	36,500	36,750	250
Maintenance and Repairs - Communications Equip.	28,457	28,500	43
Maintenance and Repairs - Office Equipment	1,576	1,750	174
Maintenance and Repairs - Buildings and Facilities	3,875	4,000	125
Maintenance and Repairs - Vehicle	1,363	1,500	137
Other Contracted Services	599	600	1

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(a component unit of Monroe County, Tennessee)
COMPARISON OF ACTUAL REVENUES AND EXPENSES TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2009

-continued-

	ACTUAL (ACCRUAL BASIS)	BUDGET (ACCRUAL BASIS)	VARIANCE - UNDER (OVER)
Supplies and Materials			
Office Supplies	10,864	11,000	136
Custodial Supplies	1,478	1,500	22
Postage	349	500	151
Small Equipment Purchases	153	500	347
Utilities - Electric	10,312	10,500	188
Utilities - Gas	399	500	101
Utilities - General Telephone	16,933	17,000	67
Utilities - Cell Phones and Pagers	670	750	80
Other Supplies and Materials	773	1,000	227
Other Charges			
Bank Charges	307	350	43
Dues and Memberships	616	650	34
Insurance - Workers Compensation	1,562	1,750	188
Insurance - Liability	7,237	7,500	263
Insurance - Building and Contents	2,234	2,500	266
Insurance - Vehicles	542	550	8
Legal Notices	109	200	91
Training Expense	1,412	1,500	88
Travel Expense	2,617	2,750	133
Depreciation	48,751	-	(48,751)
Total Operating Expenses	695,341	653,270	(42,071)
Operating income (loss)	(329,504)	(283,270)	(46,234)
NON-OPERATING REVENUES:			
Monroe County Contributions	112,400	110,000	2,400
Town of Vonore Contributions	9,000	20,000	(11,000)
Town of Tellico Plains Contributions	13,625	15,000	(1,375)
City of Sweetwater Contributions	70,700	70,700	0
Town of Madisonville Contributions	65,000	65,000	0
Tena Grant	10,000	10,000	0
Interest Expense	(294)	(520)	226
Interest Income	6,420	3,000	3,420
Miscellaneous Income	6,302	700	5,602
Total Nonoperating Revenues	293,153	293,880	(727)
Net Income (Loss)	\$(36,351)	\$10,610	\$(46,961)

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

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

One (1) PSAP serves all of Monroe County

2. The address of each PSAP:

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

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

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

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

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

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

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Monroe County Emergency Communications District, a component unit of Monroe County, Tennessee, as of and for the year ended June 30, 2009, and have issued our report thereon dated May 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Peters & Associates

May 15, 2010