

*Financial Statements*

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

Year Ended June 30, 2011

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors  
Roane County Emergency Communications District  
Rockwood, Tennessee

We have audited the accompanying statement of net assets of Roane County Emergency Communications District, a component unit of Roane County, Tennessee, as of June 30, 2011, and the related statement of revenue, expenses and change in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Roane County Emergency Communications District as of June 30, 2011 and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note I to the financial statements, the Roane County Emergency Communications District implemented a revised policy for the estimated useful lives of capital assets.

Management's discussion and analysis on pages 3 to 5 and the required supplementary information on page 20 are 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. However, we did not audit this information and express no opinion thereon.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2011 on our consideration of Roane County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

October 26, 2011

# **ROANE COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

330 CARDIFF VALLEY ROAD  
ROCKWOOD, TN 37854  
PHONE (865) 354-0704 FAX (865) 354-4983

Our discussion and analysis of the Roane County Emergency Communications District's (the District) financial performance provides an overview of the District's activities for the year ended June 30, 2011. Please read it in conjunction with the District's financial statements, as listed in the Table of Contents.

## **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The statement of net assets and the statement of revenue, expenses, and change in net assets provide information about the District as a whole and present a long-term view of the District's finances.

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

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 and about its activities that help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's 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.

## **FINANCIAL HIGHLIGHTS**

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

- Telephone and Wireless companies "911" fees
- Operational fund program for State of Tennessee Emergency Communications Board (TECB)
- Interest income

Total operational costs for the District were \$1,037,214 for the fiscal year ended June 30, 2011.

## SUMMARIZED FINANCIAL INFORMATION

The analysis below focuses on the net assets and changes in net assets of the District:

	<u>2011</u>	<u>2010</u>
<b>NET ASSETS</b>		
Current and other assets	\$ 419,941	\$ 490,311
Capital assets	<u>876,658</u>	<u>956,771</u>
Total assets	<u>\$ 1,296,599</u>	<u>\$ 1,447,082</u>
Current liabilities	\$ 14,211	\$ 72,477
Long-term debt, net of current portion	165,232	266,297
Net assets:		
Invested in capital assets, net of related debt	707,726	634,026
Unrestricted	<u>409,430</u>	<u>474,282</u>
	<u>1,117,156</u>	<u>1,108,308</u>
Total liabilities and net assets	<u>\$ 1,296,599</u>	<u>\$ 1,447,082</u>
<b>CHANGE IN NET ASSETS</b>		
Operating revenue	\$ 654,589	\$ 644,349
Operating expenses	<u>1,037,214</u>	<u>1,118,301</u>
Operating (loss)	(382,625)	(473,952)
Nonoperating revenue	<u>391,473</u>	<u>379,816</u>
Change in net assets	8,848	(94,136)
Beginning net assets	<u>1,108,308</u>	<u>1,202,445</u>
Ending net assets	<u>\$ 1,117,156</u>	<u>\$ 1,108,308</u>

Net assets of the District increased by 1% during 2011 and decreased by 15% during 2010. Unrestricted net assets, the portion of the net assets that can be used to finance day-to-day operations, decreased by \$64,852 or 15% for 2011 and decreased by \$20,428 or 5% for 2010. The expenses for the year ended June 30, 2010 have been restated to correct depreciation expense.

## FINANCIAL RATIOS

The ratios of Working Capital and Days Cash demonstrate the continuing ability to finance operations with cash. The stability of the current ratio and the liabilities to net assets ratio demonstrate that the District has not financed its working capital and days cash with an increased proportion of debt. The following is a related schedule of ratios:

	<u>2011</u>	<u>2010</u>
Working Capital (the amount by which current assets exceed current liabilities)	\$ 351,916	\$ 469,518
Days Cash and Investments (represents the number of days' normal operations could continue with no revenue collections)	127 days	125 days
Return on Assets – illustrates to what extent there will be sufficient funds to replace assets in the future	1%	(13%)

## **CAPITAL ASSETS**

At the fiscal year end of June 30, 2011, the District had \$876,658 invested in capital assets as outlined below (a \$80,113 or 10% decrease over 2010).

	<u>2011</u>	<u>2010</u>
Land	\$ 30,056	\$ 30,056
Communications equipment	1,148,468	1,184,345
Office equipment	74,420	112,871
Vehicle	22,188	22,188
Mapping system	170,884	173,386
Buildings and improvements	<u>392,694</u>	<u>403,842</u>
	1,838,710	1,926,687
Less accumulated depreciation	<u>(962,052)</u>	<u>(969,917)</u>
	<u>\$ 876,658</u>	<u>\$ 956,771</u>

## **DEBT**

The District obtained loans totaling \$420,429 for the purchase of communications equipment during 2009. Principal payments in the amount of \$153,814 were made in 2011 (\$52,749 in 2010), leaving a balance due at June 30, 2011 of \$168,932.

## **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 to the money it receives. If you have any questions about this report or need additional financial information, please contact Mike Hooks, Director of Roane County Emergency Communications District, 330 Cardiff Valley Road, Rockwood, TN 37854.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**STATEMENT OF NET ASSETS**

June 30, 2011

**ASSETS**

**CURRENT ASSETS**

Cash	\$	284,089
Certificate of deposit		57,184
Accounts receivable		29,740
Due from TECB		22,513
Prepaid expenses		18,993
Prepaid insurance		<u>6,357</u>

**TOTAL CURRENT ASSETS** 418,876

**CAPITAL ASSETS**

Land	\$	30,056
Communication equipment		1,148,468
Office equipment		74,420
Vehicle		22,188
Mapping system		170,884
Buildings and improvements		<u>392,694</u>
		1,838,710
Accumulated depreciation		<u>(962,052)</u>
		876,658

**OTHER ASSETS**

Utility deposits		<u>1,065</u>
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**TOTAL ASSETS** \$ 1,296,599

See the accompanying notes to the financial statements.

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Current portion of long-term debt	\$	3,700	
Accrued compensated absences		10,216	
Payroll taxes payable		<u>294</u>	

**TOTAL CURRENT LIABILITIES** 14,211

**LONG-TERM DEBT,**

net of current portion 165,232

**NET ASSETS**

Invested in capital assets, net of related debt	\$	707,726	
Unrestricted		<u>409,430</u>	<u>1,117,156</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 1,296,599

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

Year Ended June 30, 2011

**OPERATING REVENUE**

Emergency telephone service charges	\$	324,576	
TECB-shared wireless charge		135,706	
TECB-operational funding program		188,855	
Other operating revenue		<u>5,451</u>	

**TOTAL OPERATING REVENUE** 654,589

**OPERATING EXPENSES**

Salaries and wages:

Director	\$	54,221	
Administrative personnel		58,450	
Dispatchers		416,473	
Other salaries and wages		<u>67,852</u>	596,996

Employee benefits:

Retirement		36,709	
Medical insurance		100,281	
Life insurance		1,118	
Unemployment		692	
Social security		37,105	
Medicare		<u>8,678</u>	184,583

Contracted services:

Audit services		6,175	
Accounting services		3,520	
Maintenance agreements		21,283	
Janitorial services		4,365	
NCIC/TBI/TIES		4,240	
Lease/Rental-repeater site		1,183	
Maintenance and repairs-buildings and facilities		6,260	
Maintenance and repairs-communications equipment		20,047	
Maintenance and repairs-mobile communications equipment		5,178	
Maintenance and repairs-vehicle		909	
Fuel-vehicles		<u>2,239</u>	75,399

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

(continued)

Year Ended June 30, 2011

Supplies and materials:		
Custodial supplies	983	
Data processing supplies	860	
Office supplies	1,679	
Postage	572	
Small equipment purchases	3,279	
Utilities-electric	16,959	
Utilities-gas	1,316	
Utilities-water and sewer	1,753	
Utilities-cell phones and pager	1,768	
Utilities-general telephone	<u>56,023</u>	85,192
Other charges:		
Dues and memberships	469	
Insurance-liability	20,197	
Insurance-workers' compensation	5,787	
Training	827	
Travel	3,461	
Internet charges	1,523	
Premiums on surety bonds	1,363	
Miscellaneous	<u>1,403</u>	35,029
Depreciation		<u>60,016</u>
<b>TOTAL OPERATING EXPENSES</b>		<u>1,037,214</u>
<b>(LOSS) FROM OPERATIONS</b>		(382,625)

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

(continued)

Year Ended June 30, 2011

**NONOPERATING REVENUE(EXPENSE)**

Contributions from other governments	400,402	
TECB-grants	26,000	
Interest income	3,038	
Interest expense	(10,911)	
Loss on disposal of equipment	<u>(27,055)</u>	<u>391,473</u>

**CHANGE IN NET ASSETS** 8,848

**NET ASSETS AT THE BEGINNING  
OF THE YEAR, as restated**

1,108,308

**NET ASSETS AT THE END OF THE YEAR**

\$ 1,117,156

See the accompanying notes to the financial statements.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2011

**CASH PROVIDED(USED) BY OPERATING ACTIVITIES**

Cash received from telephone charges	\$ 653,234
Cash paid to suppliers	(391,705)
Cash paid to employees	<u>(598,583)</u>

**NET CASH (USED) BY OPERATING ACTIVITIES** (337,054)

**CASH PROVIDED(USED) BY CAPITAL AND  
RELATED FINANCING ACTIVITIES**

Acquisition of equipment	\$ (6,957)
Principal payments on long-term debt	(153,814)
Interest paid	<u>(10,911)</u>

**NET CASH (USED) BY CAPITAL AND  
RELATED FINANCING ACTIVITIES** (171,682)

**CASH PROVIDED(USED) BY NONCAPITAL AND  
RELATED FINANCING ACTIVITIES**

Contributions from other governments	400,402
TECB-grants	<u>26,000</u>

**NET CASH PROVIDED BY NONCAPITAL  
AND RELATED FINANCING ACTIVITIES** 426,402

**CASH PROVIDED(USED) BY INVESTING ACTIVITIES**

Interest received	<u>3,038</u>
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**NET (DECREASE) IN CASH** (79,297)

**CASH AT THE BEGINNING OF THE YEAR** 363,386

**CASH AT THE END OF THE YEAR** \$ 284,089

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

(continued)

Year Ended June 30, 2011

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

(Loss) from operations		\$ (382,625)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities		
Depreciation	\$ 60,016	
(Increase) in:		
Accounts receivable	(1,135)	
Due from TECB	(220)	
Prepaid expenses	(6,627)	
Prepaid insurance	(945)	
Increase(decrease) in:		
Accounts payable	(3,940)	
Accrued compensated absences	(1,587)	
Payroll taxes payable	9	45,571
	<u>9</u>	<u>45,571</u>
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>		<b><u>\$ (337,054)</u></b>

See the accompanying notes to the financial statements.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2011

**NOTE A - DESCRIPTION OF ORGANIZATION**

Roane County Emergency Communications District (the District) was established January 1, 1991, pursuant to the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The District is responsible for the installation and maintenance of the emergency communications network of Roane County, Tennessee (Enhanced 911 Service).

The District is considered a component unit of Roane County, Tennessee because the Roane County Board of Commissioners appoints all of the District's Board of Directors and must approve any debt issued by the District.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The District uses the accrual basis of accounting. Revenue is recognized when earned and measurable, and expenses are recognized when the liability is incurred. Operating revenue is revenue that is generated from the primary operations of the District. All other revenue is reported as nonoperating revenue. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as nonoperating expenses.

The District follows all pronouncements of the Governmental Accounting Standards Board (GASB) and pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989. The District has not elected to follow FASB pronouncements issued after November 30, 1989.

GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset groups:

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2011

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

Capital assets	\$ 1,838,710
Accumulated depreciation	(962,052)
Principal balance on long term debt	<u>(168,932)</u>
	<u>\$ 707,726</u>

Restricted: This category includes net assets whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District had no restricted net assets as of June 30, 2011.

Unrestricted: This category includes net assets that are not subject to externally imposed stipulations and that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Accounts Receivable

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2011, no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets, which include property and equipment, are recorded at cost. During the year ended June 30, 2011 the District increased the asset capitalization amount from \$500 to \$1,500 effective June 30, 2011. Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to forty years.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2011

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.

Compensated Absences

The District's full-time employees are granted vacation leave in varying amounts. In the event of termination, the employee is paid for any unused vacation leave. Unused vacation leave as of June 30, 2011 in the amount of \$10,216 is included as a liability in the statement of net assets.

**NOTE C - CASH**

Cash and the certificate of deposit represent money on deposit in various banks. The District considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

State of Tennessee law authorizes the District to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the state treasurer's local government investment pool.

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

All cash balances at June 30, 2011 were either insured through the Federal Deposit Insurance Corporation or through the State of Tennessee Bank Collateral Pool.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2011

**NOTE D - CAPITAL ASSETS**

	<u>Balance</u> 7/1/10	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 6/30/11
<u>Capital assets not being depreciated</u>				
Land	\$ 30,056	\$ 0	\$ 0	\$ 30,056
<u>Capital assets being depreciated</u>				
Buildings and improvements	403,842	0	(11,148)	392,694
Communications equipment	1,184,345	6,801	(42,678)	1,148,468
Mapping system	173,386	0	(2,502)	170,884
Office equipment	112,871	157	(38,608)	74,420
Vehicles	<u>22,188</u>	<u>0</u>	<u>0</u>	<u>22,188</u>
	1,926,688	6,958	(94,936)	1,838,710
<u>Accumulated depreciation</u>				
Buildings and improvements	(160,258)	(9,089)	4,310	(165,037)
Communications equipment	(525,223)	(45,516)	31,226	(539,512)
Mapping system	(171,652)	(888)	2,003	(170,538)
Office equipment	(90,595)	(4,522)	30,341	(64,776)
Vehicles	<u>(22,188)</u>	<u>0</u>	<u>0</u>	<u>(22,188)</u>
	<u>(969,917)</u>	<u>(60,016)</u>	<u>67,881</u>	<u>(962,052)</u>
	<u>\$ 956,771</u>	<u>\$ (53,058)</u>	<u>\$ (27,055)</u>	<u>\$ 876,658</u>

**NOTE E - 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.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2011

**NOTE F - 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.

Members joining the system after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in the state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of the plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

The District requires employees to contribute 5.0 % of earnable compensation.

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011 was 6.30% 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.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2011

Annual Pension Cost

For the year ended June 30, 2011, the District's annual pension cost of \$36,709 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 five-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 15 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 36,709	100.00%	\$ 0
6/30/10	39,185	100.00	0
6/30/09	38,450	100.00	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 76.95% funded. The actuarial accrued liability (AAL) for benefits was \$0.7 million, and the actuarial value of assets was \$0.5 million, resulting in a UAAL of \$0.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.6 million, and the ratio of the UAAL to the covered payroll was 26.07%.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2011

The schedule of funding progress, presented as required supplementary information 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 AAL's for benefits.

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

Actuarial valuation date	7/1/09	7/1/07
Actuarial value of plan assets	\$ 507,000	\$ 392,000
Actuarial accrued liability (AAL)	659,000	517,000
Unfunded AAL (UAAL)	152,000	125,000
Funded ratio	76.95%	75.82%
Covered payroll	582,000	518,000
UAAL as a percentage of covered payroll	26.07%	24.13%

**NOTE G - LONG-TERM DEBT**

Note payable, due in annual installments of \$3,700 on July 1 of each year, no interest; balance due in full on July 1, 2012, secured by equipment.	\$ 11,100
Note payable, due in annual installments of \$71,541 on July 1 of each year, 5.21% per annum; balance due in full on July 1, 2015, secured by equipment.	<u>157,832</u> 168,932
Less current maturities	<u>(3,700)</u>
	<u>\$ 165,232</u>

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2011

Future maturities of long-term debt as of June 30, 2011 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 3,700	\$ 13,152	\$ 16,852
2013	60,149	15,092	75,241
2014	52,749	18,792	71,541
2015	<u>52,334</u>	<u>7,705</u>	<u>60,039</u>
	<u>\$ 168,932</u>	<u>\$ 54,741</u>	<u>\$ 223,673</u>

Changes in long-term debt were as follows:

Balance, July 1, 2010	\$ 322,746
Principal payments	<u>(153,814)</u>
Balance, June 30, 2011	<u>\$ 168,932</u>

**NOTE H - RESTATEMENT**

Net assets at July 1, 2010 have been restated to correct depreciation expense:

Balance June 30, 2010, as originally reported	\$ 1,024,239
Correction of depreciation expense	<u>84,069</u>
Balance at July 1, 2010, as restated	<u>\$ 1,108,308</u>

As a result of the correction, the change in net assets for the year ended June 30, 2010 was \$ (94,136) instead of \$ (178,205).

**NOTE I - CHANGE IN ACCOUNTING ESTIMATE**

During the year ended June 30, 2011, the District increased its estimate of the estimated useful lives of certain capital assets based on historical experience and industry standards. The effect of this change was to decrease depreciation expense and reduce the loss from operations by approximately \$50,000.

REQUIRED SUPPLEMENTARY INFORMATION

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

June 30, 2011

Actuarial valuation date	7/1/09	7/1/07
Actuarial value of plan assets	\$ 507,000	\$ 392,000
Actuarial accrued liability (AAL)	659,000	517,000
Unfunded AAL (UAAL)	152,000	125,000
Funded ratio	76.95%	75.82%
Covered payroll	582,000	518,000
UAAL as a percentage of covered payroll	26.07%	24.13%

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 cost method went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

Year Ended June 30, 2011

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
<b>OPERATING REVENUE</b>			
Emergency telephone service charges	\$ 324,576	\$ 322,895	\$ 1,681
TECB-shared wireless charge	135,706	135,486	220
TECB-operational funding program	188,855	188,855	0
Other operating revenue	<u>5,451</u>	<u>1,954</u>	<u>3,497</u>
<b>TOTAL OPERATING REVENUE</b>	654,589	649,190	5,400
<b>OPERATING EXPENSES</b>			
Salaries and wages:			
Director	54,221	55,751	(1,530)
Administrative personnel	58,450	59,567	(1,117)
Dispatchers	416,473	425,062	(8,589)
Other salaries and wages	<u>67,852</u>	<u>68,823</u>	<u>(971)</u>
	596,996	609,203	(12,207)
Employee benefits:			
Retirement	36,709	37,222	(513)
Medical insurance	100,281	100,312	(31)
Life insurance	1,118	1,166	(48)
Unemployment	692	545	147
Social security	37,105	37,620	(515)
Medicare	<u>8,678</u>	<u>8,803</u>	<u>(125)</u>
	184,583	185,668	(1,085)
Contracted services:			
Audit services	6,175	6,175	0
Accounting services	3,520	3,520	0
Maintenance agreements	21,283	33,516	(12,233)
Janitorial services	4,365	4,366	(1)
NCIC/TBI/TIES	4,240	4,240	0
Lease/Rental-repeater site	1,183	1,183	0
Maintenance and repairs-buildings and facilities	<u>6,260</u>	<u>6,653</u>	<u>(393)</u>

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

(continued)

Year Ended June 30, 2011

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
Contracted services(continued):			
Maintenance and repairs- communications equipment	20,047	21,760	(1,713)
Maintenance and repairs-mobile communications equipment	5,178	5,178	0
Maintenance and repairs-vehicle	909	909	0
Fuel-vehicles	2,239	2,300	(61)
	75,399	89,801	(14,402)
Supplies and materials:			
Custodial supplies	983	1,008	(25)
Data processing supplies	860	890	(30)
Office supplies	1,679	1,780	(101)
Postage	572	579	(7)
Small equipment purchases	3,279	3,200	79
Utilities-electric	16,959	17,050	(91)
Utilities-gas	1,316	1,384	(68)
Utilities-water and sewer	1,753	1,757	(4)
Utilities-cell phones and pagers	1,768	1,769	(1)
Utilities-general telephone	56,023	60,250	(4,227)
	85,192	89,667	(4,475)
Other charges:			
Dues and subscriptions	469	469	0
Insurance-liability	20,197	21,085	(888)
Insurance-workers' compensation	5,787	2,890	2,897
Training	827	966	(139)
Travel	3,461	3,533	(72)
Internet charges	1,523	1,523	(0)
Premiums on surety bonds	1,363	1,500	(138)
Miscellaneous	1,403	1,502	(99)
	35,029	33,468	1,561

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

(continued)

Year Ended June 30, 2011

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
Depreciation	60,016	0	60,016
<b>TOTAL OPERATING EXPENSES</b>	<u>1,037,214</u>	<u>1,007,807</u>	<u>29,408</u>
<b>(LOSS) FROM OPERATIONS</b>	(382,625)	(358,617)	24,009
<b>NONOPERATING REVENUE(EXPENSE)</b>			
Contributions from other governments	400,402	400,672	270
TECB-grants	26,000	26,000	0
Interest income	3,038	130	(2,908)
Interest expense	(10,911)	0	10,911
Loss on disposal of equipment	(27,055)	0	27,055
	<u>391,473</u>	<u>426,802</u>	<u>35,329</u>
<b>CHANGE IN NET ASSETS</b>	8,848	68,185	59,338
<b>NET ASSETS AT THE BEGINNING</b>			
<b>OF THE YEAR, as restated</b>	<u>1,108,308</u>	<u>1,108,308</u>	<u>0</u>
<b>NET ASSETS AT THE END</b>			
<b>OF THE YEAR</b>	<u>\$ 1,117,156</u>	<u>\$ 1,176,494</u>	<u>\$ 59,338</u>

See the accompanying independent accountants' audit report.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**LONG-TERM DEBT REQUIREMENTS**

June 30, 2011

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
Note payable			
Year Ending June 30,			
2012	\$ 3,700	\$ 0	\$ 3,700
2013	7,400	0	7,400
	\$ 11,100	\$ 0	\$ 11,100
Note payable			
Year Ending June 30,			
2012	\$ 0	\$ 13,152	\$ 13,152
2013	52,749	15,092	67,841
2014	52,749	18,792	71,541
2015	52,334	7,705	60,039
	\$ 157,832	\$ 54,741	\$ 212,573

See the accompanying independent accountants' audit report.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**EXPENDITURES OF STATE AWARDS**

Year Ended June 30, 2011

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

See the accompanying independent accountants' audit report.

<u>Receivable</u> <u>July 1, 2010</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable</u> <u>June 30, 2011</u>
\$ 0	\$ 10,000	\$ 10,000	\$ 0
<u>0</u>	<u>16,000</u>	<u>16,000</u>	<u>0</u>
<u>\$ 0</u>	<u>\$ 26,000</u>	<u>\$ 26,000</u>	<u>\$ 0</u>

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**BOARD OF DIRECTORS**

June 30, 2011

Donnie Eblen  
Arvel McNelly  
Randy Heidle  
John Harvey  
Mike Farmer  
Bob Humphreys  
James Harmon  
Jack Stockton  
Gloria Wright

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  
Roane County Emergency Communications District  
Rockwood, Tennessee

We have audited the financial statements of Roane County Emergency Communications District, a component unit of Roane County, Tennessee, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

Management of Roane County Emergency Communications District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Roane 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 Roane County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Roane County Emergency Communications District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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 Roane 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 certain other matters that we have reported to the management of Roane County Emergency Communications District in a separate letter dated October 26, 2011.

This report is intended solely for the information and use of management and government regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

October 26, 2011