

*Financial Statements*

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

Year Ended June 30, 2012

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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, 2012 and the related statement of revenue, expenses and change in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Roane County Emergency Communications District as of June 30, 2012 and the changes in its financial positions and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 and the schedule of funding progress-political subdivision pension plan on page 20 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2012 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 other matters and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

November 1, 2012

# **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, 2012. 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 \$1,005,439 for the fiscal year ended June 30, 2012.

## SUMMARIZED FINANCIAL INFORMATION

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

	<u>2012</u>	<u>2011</u>
<b>NET ASSETS</b>		
Current and other assets	\$ 478,528	\$ 419,941
Capital assets	<u>852,712</u>	<u>876,658</u>
Total assets	<u>\$ 1,331,240</u>	<u>\$ 1,296,599</u>
Current liabilities	\$ 58,880	\$ 14,211
Long-term debt, net of current portion	82,858	165,232
Net assets:		
Invested in capital assets, net of related debt	727,715	707,726
Unrestricted	<u>461,787</u>	<u>409,430</u>
	<u>1,189,502</u>	<u>1,117,156</u>
Total liabilities and net assets	<u>\$ 1,331,240</u>	<u>\$ 1,296,599</u>
<b>CHANGE IN NET ASSETS</b>		
Operating revenue	\$ 665,392	\$ 654,589
Operating expenses	<u>1,005,439</u>	<u>1,037,214</u>
Operating (loss)	(340,048)	(382,625)
Nonoperating revenue	<u>412,393</u>	<u>391,473</u>
Change in net assets	72,346	8,848
Beginning net assets	<u>1,117,156</u>	<u>1,108,308</u>
Ending net assets	<u>\$ 1,189,502</u>	<u>\$ 1,117,156</u>

Net assets of the District increased by 6.5% during 2012 and increased by 1% during 2011. Unrestricted net assets, the portion of the net assets that can be used to finance day-to-day operations, increased by \$52,357 or 13% for 2012 and decreased by \$64,852 or 15% for 2011.

## 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>2012</u>	<u>2011</u>
Working Capital (the amount by which current assets exceed current liabilities)	\$ 418,583	\$ 351,916
Days Cash and Investments (represents the number of days' normal operations could continue with no revenue collections)	145 days	127 days
Return on Assets – illustrates to what extent there will be sufficient funds to replace assets in the future	6%	1%

## **CAPITAL ASSETS**

At the fiscal year end of June 30, 2012, the District had \$852,712 invested in capital assets as outlined below (a \$23,946 or 3% decrease over 2011).

	<u>2012</u>	<u>2011</u>
Land	\$ 30,056	\$ 30,056
Communications equipment	1,148,284	1,148,468
Office equipment	76,245	74,420
Vehicle	23,921	22,188
Mapping system	170,884	170,884
Buildings and improvements	<u>392,694</u>	<u>392,694</u>
	1,842,083	1,838,710
Less accumulated depreciation	<u>(989,372)</u>	<u>(962,052)</u>
	<u>\$ 852,712</u>	<u>\$ 876,658</u>

## **DEBT**

The District obtained loans totaling \$420,429 for the purchase of communications equipment during 2009. Principal payments in the amount of \$43,935 were made in 2012 (\$153,814 in 2011), leaving a balance due at June 30, 2012 of \$124,997.

## **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, 2012

**ASSETS**

**CURRENT ASSETS**

Cash	\$	340,619	
Certificate of deposit		58,499	
Accounts receivable		20,645	
Due from TECB		30,768	
Prepaid expenses		20,676	
Prepaid insurance		6,255	
			<hr/>

**TOTAL CURRENT ASSETS** 477,463

**CAPITAL ASSETS**

Land	\$	30,056	
Communication equipment		1,148,284	
Office equipment		76,245	
Vehicle		23,921	
Mapping system		170,884	
Buildings and improvements		392,694	
		1,842,083	
			<hr/>
Accumulated depreciation		(989,372)	852,712

**OTHER ASSETS**

Utility deposits			<hr/>
			1,065

**TOTAL ASSETS** \$ 1,331,240

See the accompanying notes to the financial statements.

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Current portion of long-term debt	\$	42,139
Accounts payable		865
Accrued salaries payable		11,017
Accrued compensated absences		4,474
Payroll taxes payable		<u>385</u>

**TOTAL CURRENT LIABILITIES** 58,880

**LONG-TERM DEBT,**  
net of current portion

82,858

**NET ASSETS**

Invested in capital assets, net of related debt	\$	727,715
Unrestricted		<u>461,787</u>
		<u>1,189,502</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 1,331,240

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

Year Ended June 30, 2012

**OPERATING REVENUE**

Emergency telephone service charges		\$ 295,099
TECB-shared wireless charge		118,995
TECB-operational funding program		220,063
Other operating revenue		<u>31,235</u>

**TOTAL OPERATING REVENUE** 665,392

**OPERATING EXPENSES**

Salaries and wages:		
Director	\$ 54,994	
Administrative personnel	58,543	
Dispatchers	388,740	
Other salaries and wages	<u>69,561</u>	571,838

Employee benefits:		
Retirement	33,989	
Medical insurance	97,102	
Life insurance	934	
Unemployment	1,157	
Social security	35,120	
Medicare	<u>8,214</u>	176,515

Contracted services:		
Audit services	6,475	
Accounting services	5,620	
Maintenance agreements	24,067	
Janitorial services	3,753	
NCIC/TBI/TIES	2,240	
Lease/Rental-repeater site	183	
Maintenance and repairs-buildings and facilities	6,467	
Maintenance and repairs-communications equipment	25,377	
Maintenance and repairs-mobile communications equipment	9,626	
Maintenance and repairs-vehicle	549	
Fuel-vehicles	<u>2,396</u>	86,752

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

(continued)

Year Ended June 30, 2012

Supplies and materials:		
Custodial supplies	820	
Data processing supplies	481	
Office supplies	969	
Postage	732	
Small equipment purchases	1,025	
Utilities-electric	17,124	
Utilities-gas	1,058	
Utilities-water and sewer	2,175	
Utilities-cell phones and pager	1,647	
Utilities-general telephone	<u>56,078</u>	82,108
Other charges:		
Dues and memberships	541	
Insurance-liability	18,649	
Insurance-workers' compensation	5,329	
Training	2,021	
Travel	4,724	
Internet charges	1,523	
Premiums on surety bonds	1,647	
Miscellaneous	<u>1,366</u>	35,799
Depreciation		<u>52,427</u>
<b>TOTAL OPERATING EXPENSES</b>		<u>1,005,439</u>
<b>(LOSS) FROM OPERATIONS</b>		(340,048)

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

(continued)

Year Ended June 30, 2012

**NONOPERATING REVENUE(EXPENSE)**

Contributions from other governments	413,939	
Insurance reimbursements	3,505	
Interest income	1,443	
Interest expense	(8,230)	
Gain on disposal of equipment	<u>1,736</u>	<u>412,393</u>

**CHANGE IN NET ASSETS** 72,346

**NET ASSETS AT THE BEGINNING  
OF THE YEAR**

1,117,156

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

\$ 1,189,502

See the accompanying notes to the financial statements.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2012

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

Cash received from telephone charges	\$ 666,232
Cash paid to suppliers	(381,799)
Cash paid to employees	<u>(566,564)</u>

**NET CASH (USED) BY OPERATING ACTIVITIES** (282,132)

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

Acquisition of equipment	\$ (30,862)
Sale of equipment	4,117
Principal payments on long-term debt	(43,935)
Interest paid	<u>(8,229)</u>

**NET CASH (USED) BY CAPITAL AND  
RELATED FINANCING ACTIVITIES** (78,909)

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

Contributions from other governments	413,939
Insurance reimbursements	<u>3,505</u>

**NET CASH PROVIDED BY NONCAPITAL  
AND RELATED FINANCING ACTIVITIES** 417,444

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

Interest received	<u>128</u>
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**NET INCREASE IN CASH** 56,530

**CASH AT THE BEGINNING OF THE YEAR** 284,089

**CASH AT THE END OF THE YEAR** \$ 340,619

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

(continued)

Year Ended June 30, 2012

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

(Loss) from operations			\$ (340,048)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities			
Depreciation	\$	52,427	
(Increase)decrease in:			
Accounts receivable		9,095	
Due from TECB		(8,255)	
Prepaid expenses		(1,683)	
Prepaid insurance		102	
Increase(decrease) in:			
Accounts payable		865	
Accrued salaries payable		11,017	
Accrued compensated absences		(5,742)	
Payroll taxes payable		91	
		<u>57,916</u>	
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>			<u><u>\$ (282,132)</u></u>

See the accompanying notes to the financial statements.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2012

**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.

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, 2012

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, 2012 has been calculated as follows:

Capital assets	\$ 1,842,083
Accumulated depreciation	(989,372)
Principal balance on long-term debt	<u>(124,997)</u>
	<u>\$ 727,715</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, 2012.

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 that are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2012, no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets, which include property and equipment, are recorded at cost. Capital assets are defined by the District as assets with an initial, individual cost of \$1,500 or more. 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, 2012

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, 2012 in the amount of \$4,474 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, 2012 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, 2012

**NOTE D - CAPITAL ASSETS**

	<u>Balance</u> <u>7/1/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/12</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 30,056	\$ 0	\$ 0	\$ 30,056
<u>Capital assets being depreciated</u>				
Buildings and improvements	392,694	0	0	392,694
Communications equipment	1,148,468	5,116	(5,300)	1,148,284
Mapping system	170,884	0	0	170,884
Office equipment	74,420	1,825	0	76,245
Vehicles	<u>22,188</u>	<u>23,921</u>	<u>(22,188)</u>	<u>23,921</u>
	1,838,710	30,862	(27,488)	1,842,084
<u>Accumulated depreciation</u>				
Buildings and improvements	(165,037)	(8,694)		(173,731)
Communications equipment	(539,512)	(38,218)	2,919	(574,811)
Mapping system	(170,538)	(346)		(170,884)
Office equipment	(64,776)	(1,581)		(66,357)
Vehicles	<u>(22,188)</u>	<u>(3,588)</u>	<u>22,188</u>	<u>(3,588)</u>
	<u>(962,052)</u>	<u>(52,427)</u>	<u>25,107</u>	<u>(989,372)</u>
	<u>\$ 876,658</u>	<u>\$ (21,565)</u>	<u>\$ (2,381)</u>	<u>\$ 852,712</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, 2012

**NOTE F - PENSION PLAN**

Information for this footnote for the year ended June 30, 2012, was not available from the State of Tennessee treasurer's office in time for inclusion in this report; therefore, the information presented below is for the fiscal year ended June 30, 2011.

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/>.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2012

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.

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

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2012

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%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

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

Actuarial valuation date	7/1/09	7/1/07
Actuarial value of plan assets	\$ 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%

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2012

**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.	\$ 3,700
Note payable, due in annual installments of \$44,765 on July 1 of each year, 5.21% per annum; balance due in full on July 1, 2015, secured by equipment.	<u>121,297</u>
	<u>124,997</u>
Less current maturities	<u>(42,139)</u>
	<u>\$ 82,858</u>

Future maturities of long-term debt as of June 30, 2012 are as follows:

Year ending June 30,	Principal	Interest	Totals
2013	\$ 42,139	\$ 6,326	\$ 48,465
2014	40,442	4,324	44,766
2015	<u>42,416</u>	<u>2,217</u>	<u>44,633</u>
	<u>\$ 124,997</u>	<u>\$ 12,867</u>	<u>\$ 137,864</u>

Changes in long-term debt were as follows:

Balance, July 1, 2011	\$ 168,932
Principal payments	<u>(43,935)</u>
Balance, June 30, 2012	<u>\$ 124,997</u>

REQUIRED SUPPLEMENTARY INFORMATION

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

June 30, 2012

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.

Information for this footnote for the year ended June 30, 2012, was not available from the State of Tennessee treasurer's office in time for inclusion in this report; therefore, the information presented above is for the fiscal year ended June 30, 2011.

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, 2012

	<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	\$ 295,099	\$ 304,796	\$ (9,697)
TECB-shared wireless charge	118,995	120,034	(1,039)
TECB-operational funding program	220,063	214,855	5,208
Other operating revenue	<u>31,235</u>	<u>35,421</u>	<u>(4,186)</u>
<b>TOTAL OPERATING REVENUE</b>	665,392	675,106	(9,714)
<b>OPERATING EXPENSES</b>			
Salaries and wages:			
Director	54,994	57,330	(2,336)
Administrative personnel	58,543	59,665	(1,122)
Dispatchers	388,740	418,070	(29,330)
Other salaries and wages	<u>69,561</u>	<u>70,538</u>	<u>(977)</u>
	571,838	605,603	(33,765)
Employee benefits:			
Retirement	33,989	35,530	(1,541)
Medical insurance	97,102	98,374	(1,272)
Life insurance	934	1,066	(132)
Unemployment	1,157	1,991	(834)
Social security	35,120	36,342	(1,222)
Medicare	<u>8,214</u>	<u>8,458</u>	<u>(244)</u>
	176,515	181,761	(5,246)
Contracted services:			
Audit services	6,475	6,500	(25)
Accounting services	5,620	5,630	(10)
Maintenance agreements	24,067	35,275	(11,208)
Janitorial services	3,753	4,000	(248)
NCIC/TBI/TIES	2,240	4,240	(2,000)
Lease/Rental-repeater site	183	200	(17)
Maintenance and repairs-buildings and facilities	6,467	6,464	3

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

(continued)

Year Ended June 30, 2012

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
Contracted services(continued):			
Maintenance and repairs- communications equipment	25,377	25,700	(323)
Maintenance and repairs-mobile communications equipment	9,626	10,501	(875)
Maintenance and repairs-vehicle	549	1,000	(451)
Fuel-vehicles	2,396	2,625	(229)
	<u>86,752</u>	<u>102,135</u>	<u>(15,383)</u>
Supplies and materials:			
Custodial supplies	820	1,100	(280)
Data processing supplies	481	1,000	(519)
Office supplies	969	1,830	(861)
Postage	732	735	(3)
Small equipment purchases	1,025	1,500	(475)
Utilities-electric	17,124	18,300	(1,176)
Utilities-gas	1,058	1,700	(642)
Utilities-water and sewer	2,175	2,200	(25)
Utilities-cell phones and pagers	1,647	1,683	(36)
Utilities-general telephone	56,078	60,302	(4,224)
	<u>82,108</u>	<u>90,350</u>	<u>(8,242)</u>
Other charges:			
Dues and subscriptions	541	541	0
Insurance-liability	18,649	22,000	(3,351)
Insurance-workers' compensation	5,329	2,585	2,744
Training	2,021	2,041	(20)
Travel	4,724	4,970	(246)
Internet charges	1,523	1,523	(0)
Premiums on surety bonds	1,647	1,685	(38)
Miscellaneous	1,366	2,144	(778)
	<u>35,799</u>	<u>37,489</u>	<u>(1,690)</u>

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

(continued)

Year Ended June 30, 2012

	<u>Actual</u> <u>(Accrual basis)</u>	<u>Budget</u> <u>(Accrual basis)</u>	<u>Variance</u> <u>Over (Under)</u>
Depreciation	52,427	61,910	(9,483)
<b>TOTAL OPERATING EXPENSES</b>	<u>1,005,439</u>	<u>1,079,248</u>	<u>(73,809)</u>
<b>(LOSS) FROM OPERATIONS</b>	(340,048)	(404,142)	(64,094)
<b>NONOPERATING REVENUE(EXPENSE)</b>			
Contributions from other governments	413,939	413,964	(25)
Insurance reimbursements	3,505	0	3,505
Interest income	1,443	142	1,301
Interest expense	(8,230)	(5,000)	(3,230)
Loss on disposal of equipment	1,736	0	1,736
	<u>412,393</u>	<u>409,106</u>	<u>3,287</u>
<b>CHANGE IN NET ASSETS</b>	72,346	4,964	67,382
<b>NET ASSETS AT THE BEGINNING</b>			
<b>OF THE YEAR, as restated</b>	<u>1,117,156</u>	<u>1,117,156</u>	<u>0</u>
<b>NET ASSETS AT THE END</b>			
<b>OF THE YEAR</b>	<u>\$ 1,189,502</u>	<u>\$ 1,122,120</u>	<u>\$ 67,382</u>

See the accompanying independent accountants' audit report.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**LONG-TERM DEBT REQUIREMENTS**

June 30, 2012

	Principal	Interest	Totals
Note payable			
Year Ending June 30, 2013	\$ 3,700	\$ 0	\$ 3,700
	\$ 3,700	\$ 0	\$ 3,700
Note payable			
Year Ending June 30, 2013	\$ 38,439	\$ 6,326	\$ 44,765
2014	40,442	4,324	44,766
2015	42,416	2,217	44,633
	\$ 121,297	\$ 12,867	\$ 134,164

See the accompanying independent accountants' audit report.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**EXPENDITURES OF STATE AWARDS**

Year Ended June 30, 2012

<u>Grant Number</u>	<u>Grant Purpose</u>	<u>State Grantor</u>
N/A	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 July 1, 2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable June 30, 2012</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, 2012

Donnie Eblen  
Arvel McNelly  
Randy Heidle  
John Harvey  
Marilyn Calfee  
Bob Humphreys  
Carolyn Granger  
Jack Stockton  
Howie Rose

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, 2012, and have issued our report thereon dated November 1, 2012. 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 Roane County Emergency Communications District'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*.

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

*Mitchell Emert & Hill*

November 1, 2012