

*Financial Statements*

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

Year Ended June 30, 2013

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors  
Roane County Emergency Communications District  
Rockwood, Tennessee

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 to 6 and the schedule of funding progress – political subdivision pension plan supplementary information on page 21 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other information we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Roane County Emergency Communications District's financial statements. The statement of revenue and expenses – actual and budget as well as the schedule of board of directors are presented for purposes of additional analysis and are not a required part of the financial statements.

The statement of revenue and expenses – actual and budget is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenue and expenses – actual and budget is fairly stated in all material respects in relation to the financial statements as a whole.

The schedule of board of directors has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 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* in considering Roane County Emergency Communications District's internal control over financial reporting and compliance.

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

November 26, 2013

# **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 Roane County Emergency Communications District's (the District) financial performance provides an overview of the District's activities for the year ended June 30, 2013. 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 position and the statement of revenue, expenses, and change in net position provide information about the District as a whole and present a long-term view of the District's finances.

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

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The statement of net position and the statement of revenue, expenses and change in net position report information about the District 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 revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the District's net position and its changes. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health. Over time, increases or decreases in the District's net position is 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 \$1,068,857 for the fiscal year ended June 30, 2013.

## SUMMARIZED FINANCIAL INFORMATION

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

	<u>2013</u>	<u>2012</u>
<b>NET POSITION</b>		
Current and other assets	\$ 646,375	\$ 478,528
Capital assets, net of accumulated depreciation	<u>830,935</u>	<u>852,712</u>
Total assets	<u>\$ 1,477,310</u>	<u>\$ 1,331,240</u>
Current liabilities	\$ 61,550	\$ 58,880
Long-term debt, net of current portion	42,417	82,858
Net position:		
Net investment in capital assets	748,077	727,715
Unrestricted	<u>625,267</u>	<u>461,787</u>
	<u>1,373,344</u>	<u>1,189,502</u>
Total liabilities and net position	<u>\$ 1,477,310</u>	<u>\$ 1,331,240</u>
<b>CHANGE IN NET POSITION</b>		
Operating revenue	\$ 693,008	\$ 665,392
Operating expenses	<u>1,068,857</u>	<u>1,005,439</u>
Operating (loss)	(375,849)	(340,048)
Nonoperating revenue	<u>559,691</u>	<u>412,393</u>
Change in net position	183,842	72,346
Beginning net position	<u>1,189,502</u>	<u>1,117,156</u>
Ending net position	<u>\$ 1,373,344</u>	<u>\$ 1,189,502</u>

Net position of the District increased by 15.46% during the current year and by 6.5% during the prior year. Unrestricted net position, the portion of the net position that can be used to finance day-to-day operations, increased by \$163,480 or 35.4% for the current year and decreased by \$52,357 or 13% for the prior year.

## FINANCIAL RATIOS

The ratios of Working Capital and Days Cash demonstrate the continuing ability to finance operations with cash. The following is a related schedule of ratios:

	<u>2013</u>	<u>2012</u>
Working Capital (the amount by which current assets exceed current liabilities)	\$ 583,760	\$ 418,583
Days Cash and Investments (represents the number of days' normal operations could continue with no revenue collections)	165 days	152 days
Return on Assets (illustrates to what extent there will be sufficient funds to replace assets in the future)	13%	6%

## **CAPITAL ASSETS**

At June 30, 2013, the District had \$830,935 invested in capital assets as outlined below (a \$46,235 or 2.6% decrease over the prior year).

	<u>2013</u>	<u>2012</u>
Land	\$ 30,056	\$ 30,056
Communications equipment	1,172,741	1,148,284
Office equipment	76,245	76,245
Vehicle	23,921	23,921
Mapping system	170,884	170,884
Buildings and improvements	<u>400,256</u>	<u>392,694</u>
	1,874,103	1,842,083
Less accumulated depreciation	<u>(1,043,168)</u>	<u>(989,372)</u>
	<u>\$ 830,935</u>	<u>\$ 852,712</u>

## **DEBT**

The District obtained loans totaling \$420,429 for the purchase of communications equipment during the year ended June 30, 2009. Principal payments in the amount of \$42,139 were made during the year ended June 30, 2013 (\$43,935 during the year ended June 30, 2012), leaving a balance due at June 30, 2013 of \$82,858.

## **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 POSITION**

June 30, 2013

**ASSETS**

**CURRENT ASSETS**

Cash		\$ 473,579
Certificate of deposit		58,499
Accounts receivable		18,980
Due from TECB		65,443
Prepaid expenses		22,298
Prepaid insurance		<u>6,512</u>

**TOTAL CURRENT ASSETS** 645,310

**CAPITAL ASSETS**

Land	\$ 30,056	
Communication equipment	1,172,741	
Office equipment	76,245	
Vehicle	23,921	
Mapping system	170,884	
Buildings and improvements	<u>400,256</u>	
	1,874,103	
Accumulated depreciation	<u>(1,043,168)</u>	830,935

**OTHER ASSETS**

Utility deposits		<u>1,065</u>
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**TOTAL ASSETS** \$ 1,477,310

See the accompanying notes to the financial statements.

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Current portion of long-term debt	\$	40,441	
Accounts payable		5,249	
Payroll taxes payable		369	
Accrued salaries payable		11,017	
Accrued compensated absences		4,474	
			<u>4,474</u>

**TOTAL CURRENT LIABILITIES** 61,550

**LONG-TERM DEBT,**

net of current portion 42,417

**NET POSITION**

Net investment in capital assets	\$	748,077	
Unrestricted		<u>625,267</u>	<u>1,373,344</u>

**TOTAL LIABILITIES AND NET POSITION** \$ 1,477,310

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

Year Ended June 30, 2013

**OPERATING REVENUE**

Emergency telephone service charges		\$ 264,322
TECB-shared wireless charge		125,651
TECB-operational funding program		294,563
Other operating revenue		<u>8,471</u>

**TOTAL OPERATING REVENUE** 693,008

**OPERATING EXPENSES**

Salaries and wages:			
Director	\$ 55,826		
Administrative personnel	60,181		
Dispatchers	412,430		
Other salaries and wages	<u>69,719</u>		598,156

Employee benefits:			
Retirement	35,860		
Medical insurance	116,442		
Life insurance	1,073		
Unemployment	1,980		
Social security	36,922		
Medicare	<u>8,634</u>		200,911

Contracted services:			
Audit services	6,775		
Accounting services	3,840		
Maintenance agreements	27,058		
Janitorial services	4,030		
NCIC/TBI/TIES	5,919		
Lease/Rental-repeater site	236		
Maintenance and repairs-buildings and facilities	5,225		
Maintenance and repairs-communications equipment	23,800		
Maintenance and repairs-mobile communications equipment	10,501		
Maintenance and repairs-vehicle	1,137		
Fuel-vehicles	<u>2,743</u>		91,264

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

(continued)

Year Ended June 30, 2013

Supplies and materials:		
Custodial supplies	1,145	
Data processing supplies	424	
Office supplies	1,623	
Postage	596	
Small equipment purchases	2,117	
Utilities-electric	15,534	
Utilities-gas	1,197	
Utilities-water and sewer	2,241	
Utilities-cell phones and pager	1,520	
Utilities-general telephone	<u>59,822</u>	86,219
Other charges:		
Dues and memberships	3,472	
Insurance-liability	21,426	
Insurance-workers' compensation	2,638	
Training	1,295	
Travel	3,674	
Internet charges	1,553	
Premiums on surety bonds	1,792	
Miscellaneous	<u>2,663</u>	38,512
Depreciation		<u>53,796</u>
<b>TOTAL OPERATING EXPENSES</b>		<u>1,068,857</u>
<b>(LOSS) FROM OPERATIONS</b>		(375,849)

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

(continued)

Year Ended June 30, 2013

<b>NONOPERATING REVENUE(EXPENSE)</b>		
Contributions from other governments	467,259	
Gain on disposal of equipment	98,666	
Interest income	93	
Interest expense	<u>(6,326)</u>	<u>559,691</u>
<b>CHANGE IN NET POSITION</b>		183,842
<b>NET POSITION AT THE BEGINNING OF THE YEAR</b>		<u>1,189,502</u>
<b>NET POSITION AT THE END OF THE YEAR</b>		<u><u>\$ 1,373,344</u></u>

See the accompanying notes to the financial statements.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2013

<b>CASH PROVIDED(USED) BY OPERATING ACTIVITIES</b>	
Cash received from telephone charges	\$ 660,000
Cash paid to suppliers	(414,417)
Cash paid to employees	<u>(598,157)</u>
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<b>(352,574)</b>
<b>CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of equipment	\$ (32,019)
Gain on disposal of equipment	98,666
Principal payments on long-term debt	(42,139)
Interest paid	<u>(6,325)</u>
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>18,182</b>
<b>CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Contributions from other governments	467,259
<b>CASH PROVIDED(USED) BY INVESTING ACTIVITIES</b>	
Interest received	<u>93</u>
<b>NET INCREASE IN CASH</b>	<b>132,960</b>
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<u>340,619</u>
<b>CASH AT THE END OF THE YEAR</b>	<u><u>\$ 473,579</u></u>

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**STATEMENT OF CASH FLOWS**

(continued)

Year Ended June 30, 2013

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

(Loss) from operations		\$ (375,849)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities		
Depreciation	\$ 53,796	
(Increase)decrease in:		
Accounts receivable	1,666	
Due from TECB	(34,674)	
Prepaid expenses	(1,622)	
Prepaid insurance	(257)	
Increase(decrease) in:		
Accounts payable	4,384	
Payroll taxes payable	(17)	
	<u>23,276</u>	
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>		<u><u>\$ (352,574)</u></u>

See the accompanying notes to the financial statements.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

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

Operating revenue is revenue that is generated from the primary operations of the District. All other revenue is reported as nonoperating revenue. Operating expenses are those expenses that are essential to the primary operations of the District. All other expenses are reported as nonoperating expenses.

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

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013

Net investment in capital assets: This category includes capital assets, net of accumulated depreciation and the related debt. Net investment in capital assets at June 30, 2013 has been calculated as follows:

Capital assets	\$ 1,874,103
Accumulated depreciation	(1,043,168)
Principal balance on long-term debt	<u>(82,858)</u>
	<u>\$ 748,077</u>

Restricted: This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District had no restricted net position as of June 30, 2013.

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

Accounts Receivable

Accounts receivable that are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2013, no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets, which include property and equipment, are recorded at cost. 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, 2013

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, 2013 in the amount of \$4,474 is included as a liability in the statement of net position.

**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 Tennessee Department of Treasury Local Government Investment Pool (the LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

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

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

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013

**NOTE D - CAPITAL ASSETS**

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

	<u>Balance</u> <u>7/1/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/13</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 30,056	\$ 0	\$ 0	\$ 30,056
<u>Capital assets being depreciated</u>				
Buildings and improvements	392,694	7,562	0	400,256
Communications equipment	1,148,284	24,457	0	1,172,741
Mapping system	170,884	0	0	170,884
Office equipment	76,245	0	0	76,245
Vehicle	<u>23,921</u>	<u>0</u>	<u>0</u>	<u>23,921</u>
	1,812,028	32,019	0	1,844,047
<u>Accumulated depreciation</u>				
Buildings and improvements	(173,731)	(8,946)	0	(182,677)
Communications equipment	(574,811)	(38,318)	0	(613,129)
Mapping system	(170,884)	(0)	0	(170,884)
Office equipment	(66,357)	(1,748)	0	(68,105)
Vehicle	<u>(3,588)</u>	<u>(4,784)</u>	<u>0</u>	<u>(8,372)</u>
	<u>(989,372)</u>	<u>(53,796)</u>	<u>0</u>	<u>(1,043,168)</u>
	<u>\$ 852,712</u>	<u>\$ (21,777)</u>	<u>\$ 0</u>	<u>\$ 830,935</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, 2013

**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 duty.

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, 2013

Funding Policy

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

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013 was 6.20% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, the District's annual pension cost of \$35,860 to the TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include: (a) a rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually.

The actuarial value of plan assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The District's unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 5 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/13	\$ 35,860	100.00%	\$ 0
6/30/12	33,989	100.00	0
6/30/11	36,709	100.00	0

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 93.04% funded. The actuarial accrued liability (AAL) for benefits was \$0.78 million, and the actuarial value of assets was \$0.73 million, resulting in a UAAL of \$0.05 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.48 million, and the ratio of the UAAL to the covered payroll was 11.45%.

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

Actuarial valuation date	7/1/11	7/1/09	7/1/07
Actuarial value of plan assets	\$ 729,000	\$ 507,000	\$ 392,000
Actuarial accrued liability (AAL)	784,000	512,000	397,000
Unfunded AAL (UAAL)	55,000	5,000	5,000
Funded ratio	93.04%	99.08%	98.74%
Covered payroll	477,000	582,000	518,000
UAAL as a percentage of covered payroll	11.45%	0.81%	0.97%

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS**

(continued)

June 30, 2013

**NOTE G - LONG-TERM DEBT**

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.	\$ 82,858
Less current maturities	<u>(40,441)</u>
	<u>\$ 42,417</u>

Future maturities of long-term debt as of June 30, 2013 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 40,441	\$ 4,324	\$ 44,765
2015	<u>42,417</u>	<u>2,217</u>	<u>44,634</u>
	<u>\$ 82,858</u>	<u>\$ 6,541</u>	<u>\$ 89,399</u>

Changes in long-term debt were as follows:

Balance, July 1, 2012	\$ 124,997
Principal payments	<u>(42,139)</u>
Balance, June 30, 2013	<u>\$ 82,858</u>

Interest cost incurred for the year ended June 30, 2013 was \$6,326 all of which was charged to interest expense.

REQUIRED SUPPLEMENTARY INFORMATION

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

June 30, 2013

	7/1/11	7/1/09	7/1/07
Actuarial valuation date			
Actuarial value of plan assets	\$ 729,000	\$ 507,000	\$ 392,000
Actuarial accrued liability (AAL)	784,000	512,000	397,000
Unfunded AAL (UAAL)	55,000	5,000	5,000
Funded ratio	93.04%	99.08%	98.74%
Covered payroll	477,000	582,000	518,000
UAAL as a percentage of covered payroll	11.45%	0.81%	0.97%

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, 2013

	Actual	Budget	Variance Over (Under)
<b>OPERATING REVENUE</b>			
Emergency telephone service charges	\$ 264,322	\$ 268,087	\$ (3,765)
TECB-shared wireless charge	125,651	122,540	3,111
TECB-operational funding program	294,563	214,916	79,647
Other operating revenue	8,471	52,488	(44,017)
<b>TOTAL OPERATING REVENUE</b>	693,008	658,031	34,977
<b>OPERATING EXPENSES</b>			
Salaries and wages:			
Director	55,826	59,225	(3,399)
Administrative personnel	60,181	61,868	(1,687)
Dispatchers	412,430	424,124	(11,694)
Other salaries and wages	69,719	73,164	(3,445)
	598,156	618,381	(20,225)
Employee benefits:			
Retirement	35,860	37,278	(1,418)
Medical insurance	116,442	116,700	(258)
Life insurance	1,073	1,281	(208)
Unemployment	1,980	2,176	(196)
Social security	36,922	38,428	(1,506)
Medicare	8,634	8,987	(353)
	200,911	204,850	(3,939)
Contracted services:			
Audit services	6,775	6,799	(24)
Accounting services	3,840	3,840	0
Maintenance agreements	27,058	32,735	(5,677)
Janitorial services	4,030	4,145	(115)
NCIC/TBI/TIES	5,919	4,240	1,679
Lease/Rental-repeater site	236	249	(13)
Maintenance and repairs-buildings and facilities	5,225	7,100	(1,875)

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

(continued)

Year Ended June 30, 2013

	Actual	Budget	Variance Over (Under)
Contracted services(continued):			
Maintenance and repairs- communications equipment	23,800	25,716	(1,916)
Maintenance and repairs-mobile communications equipment	10,501	10,764	(263)
Maintenance and repairs-vehicle	1,137	1,150	(13)
Fuel-vehicles	2,743	2,688	55
	91,264	99,426	(8,162)
Supplies and materials:			
Custodial supplies	1,145	1,160	(15)
Data processing supplies	424	600	(176)
Office supplies	1,623	1,768	(145)
Postage	596	620	(24)
Small equipment purchases	2,117	2,150	(33)
Utilities-electric	15,534	18,877	(3,343)
Utilities-gas	1,197	1,400	(203)
Utilities-water and sewer	2,241	2,401	(160)
Utilities-cell phones and pagers	1,520	1,648	(128)
Utilities-general telephone	59,822	60,650	(828)
	86,219	91,274	(5,055)
Other charges:			
Dues and subscriptions	3,472	3,535	(63)
Insurance-liability	21,426	22,000	(574)
Insurance-workers' compensation	2,638	2,875	(237)
Training	1,295	1,450	(155)
Travel	3,674	4,115	(441)
Internet charges	1,553	1,663	(110)
Premiums on surety bonds	1,792	1,750	42
Miscellaneous	2,663	2,882	(219)
	38,512	40,270	(1,758)

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

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

(continued)

Year Ended June 30, 2013

	Actual	Budget	Variance Over (Under)
Depreciation	53,796	65,604	(11,808)
<b>TOTAL OPERATING EXPENSES</b>	<b>1,068,857</b>	<b>1,119,805</b>	<b>(50,948)</b>
<b>(LOSS) FROM OPERATIONS</b>	<b>(375,849)</b>	<b>(461,774)</b>	<b>(85,925)</b>
<b>NONOPERATING REVENUE(EXPENSE)</b>			
Contributions from other governments	467,259	469,092	(1,833)
Gain on disposal of equipment	98,666	40,000	58,666
Interest income	93	94	(1)
Interest expense	(6,326)	(6,400)	74
	<b>559,691</b>	<b>502,786</b>	<b>56,905</b>
<b>CHANGE IN NET POSITION</b>	<b>183,842</b>	<b>41,012</b>	<b>142,830</b>
<b>NET POSITION AT THE BEGINNING OF THE YEAR</b>	<b>1,189,502</b>	<b>1,189,502</b>	<b>0</b>
<b>NET POSITION AT THE END OF THE YEAR</b>	<b>\$ 1,373,344</b>	<b>\$ 1,230,514</b>	<b>\$ 142,830</b>

See the accompanying independent accountants' audit report.

ROANE COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT

**BOARD OF DIRECTORS**

June 30, 2013

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Roane County Emergency Communications District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2013.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Roane County Emergency Communications District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

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

November 26, 2013