

**BRADLEY COUNTY "911"  
EMERGENCY COMMUNICATIONS DISTRICT**

**AUDIT REPORT**

**TWELVE MONTHS ENDED JUNE 30, 2014**

BRADLEY COUNTY "911"  
EMERGENCY COMMUNICATIONS DISTRICT

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June 30, 2014

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BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT  
June 30, 2014

Danny Lawson, Chairman

Janice Casteel, Treasurer

Steve Haun, Secretary

Gary Davis, Member

Tom Rowland, Member

Connie Spencer, Member

Troy Spence, Member

John England, Member

Jim Ruth, Member

David Bishop, Member

Terry Forshee, Member

Troy Maney, Member

Johnny Stokes, Member

# HARTING, BISHOP & ARRENDALE, PLLC

## CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA  
KELVIN W. BISHOP, CPA  
THOMAS H. ARRENDALE, CPA, MBA

JANICE L. HAYES, CPA

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Bradley County "911" Emergency  
Communications District

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Bradley County "911" Emergency Communications District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

#### ***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 auditor's 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 auditor considers internal control relevant to the entity's 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 the entity's 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 above present fairly, in all material respects, the financial position of Bradley County "911" Emergency Communications District, as of June 30, 2014, and the changes in financial position and cash flows thereof 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 the management's discussion and analysis on pages 4 through 6 and the schedule of pension plan and postemployment benefits funding progress on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

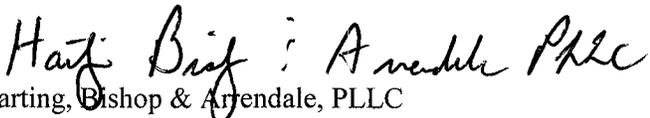
*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bradley County "911" Emergency Communications District's basic financial statements. The budgetary comparison schedule is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of the Bradley County "911" Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Bradley County "911" Emergency Communications District's internal control over financial reporting and compliance.

  
Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee  
September 26, 2014

# Bradley County 911 Communications Center

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Joe Wilson  
Director

## Management's Discussion and Analysis

Our discussion and analysis of the Bradley County 911 Emergency Communications District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. This should be read in conjunction with the District's financial statements, which may be found elsewhere in this document.

### Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the District as a whole and present an overview of the District's finances.

### The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any entity's finances is: "How did the District do financially this year?" The statement of net position and statement of revenues, expenses and changes in net position report information in a way that helps answer this question. These statements include all assets and liabilities using accrual basis 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 position and changes in net position. Net position -- the difference between assets and liabilities -- is one way to measure the District's financial health, or its financial position. Over time, increases or decreases to the District's net position are an indicator of whether its financial health is improving or deteriorating. An analysis of net position and changes in net position is as follows:

	<u>2014</u>	<u>2013</u>
Net Position		
Current and other assets	\$ 2,567,329	\$ 2,172,329
Capital assets	<u>625,599</u>	<u>748,588</u>
Total assets	3,192,928	2,920,917
Current liabilities	(107,626)	(83,842)
Long-term liabilities	<u>(530,523)</u>	<u>(406,287)</u>
Total liabilities	<u>(638,149)</u>	<u>(490,129)</u>
Net Position	<u>\$ 2,554,779</u>	<u>\$ 2,430,788</u>
Summary of net position -		
Invested in capital assets	625,599	748,588
Unrestricted	<u>1,929,180</u>	<u>1,682,200</u>
Total Net Position	<u>\$ 2,554,779</u>	<u>\$ 2,430,788</u>
Change in Net Position		
Operating revenues	\$ 1,231,922	\$ 1,363,129
Operating expenses	<u>2,397,848</u>	<u>2,280,708</u>
Operating loss	(1,165,926)	(917,579)
Non-operating income	<u>1,289,917</u>	<u>1,256,458</u>
Change in Net Position	123,991	338,879
Net Position - beginning	<u>2,430,788</u>	<u>2,091,909</u>
Net Position - ending	<u>\$ 2,554,779</u>	<u>\$ 2,430,788</u>

## **Analysis of Financial Position and Results of Operations**

The District's net position has increased by \$123,991 over the previous year. Operating revenue decreased 9.63% due to the CLEC settlement income that was received during FYE June 30, 2013. Operating expenses increased 5.14% due to increases in salaries, benefits, and depreciation.

## **The District's Net Position**

The District completed the year with net position of \$2,554,779, an increase of \$123,991 over the previous year.

## **Budgetary Highlights**

In order to prevent budget overruns, the final budget was amended. The significant changes were to TECB operational funding, TECB grants and reimbursements, dispatcher salary expenses, retirement compensation expenses and postemployment health benefit expense.

## **Capital Assets**

At the end of the accounting period, the District had \$625,599 in capital assets such as communication and office equipment, furniture and fixtures and building and improvements. This amount represents an decrease of \$122,989 or 16.43%. This decrease is primarily due to the depreciation on the Nextgen 911 equipment.

## **Financial Activity and Plans for Future Needs**

The District began a grounds improvements plan in conjunction with Emergent Management. This project will continue over into the next fiscal year and when completed will supply additional parking. We also began surface improvements to our current parking lot.

Investments for the upcoming year include a major upgrade to our email system, migration to Exchange Server 2013 and associated hardware purchases to connect with the network linking Cleveland Utilities, emergency management and the City of Cleveland.

Joseph B. Wilson, Jr.  
Director

**FINANCIAL SECTION**

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,394,089
Certificates of deposit	131,364
Accounts receivable	39,469
Accrued interest receivable	227
Prepaid expense	<u>2,180</u>
Total Current Assets	<u>2,567,329</u>

Capital Assets

Furniture and fixtures	156,302
Office equipment	76,789
Communications equipment	1,880,919
Leasehold improvements	<u>72,696</u>
Total Capital Assets	2,186,706
Accumulated Depreciation	<u>(1,561,107)</u>
Capital Assets, net	<u>625,599</u>

Total Assets \$ 3,192,928

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 11,280
Accrued payroll	33,961
Compensated absences	<u>62,385</u>
Total Current Liabilities	<u>107,626</u>

Long-term Liabilities

Postemployment health benefit liabilities	<u>530,523</u>
Total Liabilities	<u>638,149</u>

Net Position

Invested in capital assets	625,599
Unrestricted	<u>1,929,180</u>
Total Net Position	<u>2,554,779</u>

Total Liabilities and Net Position \$ 3,192,928

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended June 30, 2014

OPERATING REVENUES

Emergency telephone service charge	\$ 626,318
TECB - shared wireless charge	252,072
TECB - operational funding	265,860
Tower rental income	30,300
Cleveland State income	16,137
Miscellaneous income	<u>41,235</u>
Total Operating Revenues	<u>1,231,922</u>

OPERATING EXPENSES

Salaries and Wages	
Director	77,188
Administrative personnel	244,178
Dispatchers	730,371
Overtime	49,708
Bonuses	2,924
Supplemental pay	20,430
Longevity pay	10,500
Sold vacation pay	7,905
College pay	<u>750</u>
Total Salaries and Wages	<u>1,143,954</u>

Employee Benefits

Social security	82,272
Life insurance	11,846
Medical insurance	185,077
Dental insurance	11,124
Retirement compensation	143,940
Other fringe benefits	4,099
Postemployment health benefit expense	<u>124,236</u>
Total Employee Benefits	<u>562,594</u>

Contracted Services

Advertising	1,259
Audit services	8,296
Administrative fees - service charge	12,911
Fees paid to service providers	60,094
Impact payments	86,600
Janitorial services	8,086
Legal services	22,733

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014

(continued from previous page)

NCIC/TBI/TIES expenses	10,175
Lease/Rental - buildings and facilities	2,400
Computer system administration	68,145
Maintenance and repairs - communications equipment	83,196
Maintenance and repairs - buildings and facilities	44,725
Maintenance and repairs - office equipment	8,611
Total Contracted Services	<u>417,231</u>
Supplies and Materials	
Office supplies	10,197
Custodial supplies	3,317
Postage	705
Small equipment purchases	7,386
Uniforms and shirts	2,782
Utilities - electric	16,202
Utilities - general telephone	25,091
Utilities - cell phone and pagers	11,894
Total Supplies and Materials	<u>77,574</u>
Other Charges	
Dues and memberships	2,958
Employee testing and exams	5,014
Insurance - workers compensation	4,295
Insurance - liability	7,507
Insurance - buildings and content	6,931
Insurance - equipment	2,281
Insurance - vehicles	466
License and fees	143
Premiums on surety bonds	1,800
Service awards	445
Training expense	10,063
Travel expenses	18,237
Other charges	2,515
Total Other Charges	<u>62,655</u>
Depreciation	
Depreciation expense	<u>133,840</u>
Total Depreciation	<u>133,840</u>
Total Operating Expenses	<u>2,397,848</u>

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended June 30, 2014  
(continued from previous page)

Operating Loss	<u>(1,165,926)</u>
 NON-OPERATING REVENUES (EXPENSES)	
Interest income	5,211
TECB grants and reimbursement	174,330
Contributions from primary government	1,100,000
Contributions from other governments and agencies	11,090
Loss on disposal of asset	<u>(714)</u>
Non-Operating Revenue (Expenses)	<u>1,289,917</u>
 Change in Net Position	 123,991
 Net Position, beginning	 <u>2,430,788</u>
 Net Position, ending	 <u>\$ 2,554,779</u>

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2014

Cash Flows from Operating Activities	
Cash received from surcharges and other revenues	\$ 1,267,242
Cash payments to suppliers for goods and services	(549,560)
Cash payments for payroll, taxes and related benefits	<u>(1,565,530)</u>
Net Cash Used by Operating Activities	<u>(847,848)</u>
Cash Flows from Noncapital Financial Activities	
Grants/Reimbursement TECB	454,167
Contributions from primary government	1,100,000
Contributions from other governments	<u>11,090</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,565,257</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	<u>(11,565)</u>
Net Cashed Used by Capital and Related Financing Activities	<u>(11,565)</u>
Cash Flows from Investing Activities	
Interest income received	<u>5,504</u>
Net Cash Provided by Investing Activities	<u>5,504</u>
Net Increase in Cash and Cash Equivalents	711,348
Cash and Cash Equivalents at Beginning of Year	<u>1,682,741</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,394,089</u>

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2014

Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Operating loss	\$ (1,165,926)
Adjustments to reconcile net income (loss) to net cash	
provided (used) by operating activities	
Depreciation expense	133,840
Change in assets and liabilities:	
Decrease in receivables	35,320
Increase in accounts payable	7,002
Increase in accrued payroll	8,878
Increase in compensated absences	7,904
Decrease in prepaid expenses	898
Increase in postemployment health benefit liabilities	<u>124,236</u>
Net Cash Used by Operating Activities	<u>\$ (847,848)</u>

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014

NOTE 1 - General Information

Public Chapter No. 867 of the 1984 Tennessee Public Acts ("The Emergency Communications District Law") was enacted to establish local emergency telephone services; to provide for the funding of such services and such district; and to provide for the levying of a telephone service charge. On July 1, 2001, the Cleveland/Bradley Communications Center and the Bradley County "911" Emergency Communications District, each originally created to serve such functions, merged to form one emergency communication entity. The District is an agency of the City of Cleveland, the City of Charleston, and Bradley County, Tennessee, from which it receives additional revenues.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

The District is a governmental unit, subject to accounting directives issued by the Governmental Accounting Standards Board (GASB), and anticipates recovering the cost of its services in a manner similar to a private business enterprise. Therefore, the District uses the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of timing of related cash flows. Operating revenues are those that result from the activities of the District, including telephone service charges, expense reimbursements, and grants for operations. Revenue from other sources is considered non-operating.

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments which have original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

Expenditures for capital assets are recorded at historical cost. Capital assets are depreciated using the straight-line method. The District generally capitalizes assets with a cost of \$500 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014

NOTE 2 - Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Estimated useful lives, in years, for depreciable assets are as follows:

Furniture and fixtures	5-10
Office Equipment	5-10
Communication equipment	5-10
Leasehold improvements	5-10

Joint Venture

Bradley County "911" Emergency Communications District is a joint venture between Bradley County, Tennessee and the Cities of Cleveland and Charleston, Tennessee. The District assists emergency service agencies in the saving of lives, protection of property, and swift apprehension of criminals for all citizens of Bradley County. The board consists of ten ex-officio members including: the County Mayor, the City of Cleveland Mayor, the City of Charleston Police Chief, the County Sheriff, the Cleveland Police Chief, the Cleveland Fire Chief, the Director of Emergency Medical Services, the Director of the Emergency Management Agency, Cleveland City Manager and Bradley County Fire Chief, along with three persons appointed by the County Mayor with the approval of the County Commission and the City of Cleveland Council.

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. Up to thirty days vacation may be carried forward into the following calendar year. Any excess accumulated vacation days are converted to sick leave. Each employee also has the option annually to convert up to 5 unused vacation days to cash. Employees are entitled to their accrued vacation leave upon termination of service. Compensated absences are reported as accrued in the District's financial statements.

Budgets and Budgetary Accounting

The District's Board approves an annual budget based upon anticipated revenues and estimated operating expenses. In accordance with the level of control established by the Tennessee Comptroller of the Treasury, operating expenses may not exceed the amount budgeted in each line item. Budgeted expenses may be amended, as needed, to meet changing needs.

NOTE 3 - Cash on Deposit

The treasurer of the District is responsible for receiving, disbursing, depositing and investing the District's funds. The District's policy related to deposits and investment risk is to invest in certificates of deposit usually with a maturity of three years or less. The District's policy is designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws. All deposits with a bank or other financial institution shall be secured by collateral or in a collateral pool as allowed by state statutes. As of June 30, 2014 all deposits with financial institutions were secured by collateral or by State of TN Bank collateral pool.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014

NOTE 3 - Cash on Deposit (continued)

A schedule of cash and investments classified by category of credit risk at June 30, 2014 is as follows:

	Carrying Amount	Bank Balance
Cash, insured by Federal Depository Insurance (FDIC)	\$ 250,000	\$ 250,000
Cash, collateralized by the State of TN		
Bank Collateral Pool	2,144,039	2,156,509
Certificates of Deposit, insured by FDIC	131,364	131,364
Petty Cash	50	50
Total	<u>\$ 2,525,453</u>	<u>\$ 2,537,923</u>

NOTE 4 - Accounts Receivable

The account receivable balance represents amounts due from the telephone companies' subscriber service charges at June 30, 2014.

NOTE 5 - Capital Assets

The following is a schedule of changes to capital assets:

	June 30, 2013	Additions	Retirements	June 30, 2014
Furniture and fixtures	\$ 156,302	\$ -	\$ -	\$ 156,302
Office equipment	76,789	-	-	76,789
Communications equipment	1,870,831	11,565	1,477	1,880,919
Leasehold improvements	72,696	-	-	72,696
Total	<u>\$ 2,176,618</u>	<u>\$ 11,565</u>	<u>\$ 1,477</u>	<u>\$ 2,186,706</u>

	Accumulated Depreciation June 30, 2013	Additions	Retirements	Accumulated Depreciation June 30, 2014
Furniture and fixtures	\$ 78,329	\$ 14,817	\$ -	\$ 93,146
Office equipment	56,956	5,729	-	62,685
Communications equipment	1,240,912	110,047	763	1,350,196
Leasehold improvements	51,833	3,247	-	55,080
Total	<u>\$ 1,428,030</u>	<u>\$ 133,840</u>	<u>\$ 763</u>	<u>\$ 1,561,107</u>

Provision for depreciation totaled \$133,840 for the year ended June 30, 2014.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014

NOTE 6 - Risk Management - Claims and Insurance

Significant losses are covered by commercial insurance for property, liability, and employee dishonesty. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current or the three prior years.

NOTE 7 - Lease Commitments

The District leases the land on which the communications center is located from Cleveland Utilities. The lease agreement provides that the annual rental shall be in the amount of \$1 per year payable in advance. The term of the lease, which originated October 25, 1996, is for a period of twenty years. The District has the option to renew the lease for one additional period of twenty years under the same terms and conditions as the original lease.

NOTE 8 - Impact Payments

The building used as the communications center for the District is owned by the City of Cleveland, Tennessee. The City issued bonds in the amount of \$1.1 million to finance the construction of the communications center and purchase of necessary equipment. Under the terms of the bond resolution, the City must own the building. The District will make impact payments to the City in the amount of the annual debt service requirements on the bonds. Impact payments for the year ended June 30, 2014 totaled \$86,600.

NOTE 9 - Retirement Plan

Plan Description

Employees of Bradley County "911" Emergency Communications District are members of the Political Subdivision Pension Plan (PSPP), an agent multipleemployer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Bradley County "911" Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2014

NOTE 9 - Retirement Plan (continued)

Funding Policy

Bradley County "911" Emergency Communications District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Bradley County "911" Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014 was 13.86% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Bradley County "911" Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2014, Bradley County "911" Emergency Communications District's annual pension cost of \$3,729,911 to TCRS was equal to Bradley County "911" Emergency Communications 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) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Bradley County "911" Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 4 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$3,729,911	100.00%	\$0.00
June 30, 2013	\$3,502,832	100.00%	\$0.00
June 30, 2012	\$3,442,852	100.00%	\$0.00

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014

NOTE 9 - Retirement Plan (continued)

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 93.86 percent funded. The actuarial accrued liability for benefits was \$76.18 million, and the actuarial value of assets was \$71.50 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.68 million. The covered payroll (annual payroll of active employees covered by the plan) \$25.30 million, and the ratio of the UAAL to the covered payroll was 18.49 percent.

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

NOTE 10 – Postemployment benefits

Plan Description

The District provides postretirement medical, dental and life insurance benefits to employees who retire from the District with 25 years of service, or age 55 with 10 years of service. Medical benefits are provided using a point of service (POS) plan through Blue Cross/Blue Shield. Dental benefits are provided using a preferred provider organization (PPO) through Blue Cross/Blue Shield. Boston Mutual Life Insurance provides life insurance benefits. The following schedule applies to employees with over 10 years of service. If the retiree has family coverage the District will pay half the difference between the cost of the family plan and the cost of the individual plan.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2014

NOTE 10 – Postemployment benefits (continued)

<u>Years of Service At Retirement</u>	<u>Percentage of Premium Paid by Participant</u>
<15	100.00%
15	50.00%
16	46.67%
17	40.33%
18	40.00%
19	36.67%
20	33.33%
21	30.00%
22	26.67%
23	23.33%
24	20.00%
25	16.67%
26	13.33%
27	10.00%
28	6.67%
29	3.33%
30+	0.00%

Funding Policy and Annual OPEB Cost

The District's annual other postemployment benefit (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Districts annual OPEB cost for the current year are as follows:

Annual Required Contribution (ARC)	\$140,012
Interest on net OPEB obligation	16,251
Adjust to annual required contribution	<u>(19,335)</u>
Annual OPEB cost (expense)	136,928
Contribution made	<u>(12,692)</u>
Increase in net OPEB obligation	124,236
Net OPEB obligation – June 30, 2013	<u>406,287</u>
Net OPEB obligation – June 30, 2014	<u>\$530,523</u>

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2014

NOTE 10 – Postemployment benefits (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the next OPEB obligation for 2014 is as follows:

Fiscal Year <u>Ending</u>	Annual OPEB Cost	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
6/30/12	\$109,550	4.3%	\$295,536
6/30/13	\$115,847	4.4%	\$406,287
6/30/14	\$136,928	9.3%	\$530,523

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

Actuarial accrued liability (AAL)	\$ 1,062,660
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,062,660</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,143,954
UAAL as a percentage of covered payroll	92.89%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing the costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2013 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.00% funding interest rate. The 2013 medical cost trend rate used was 9% with an ultimate medical cost trend rate of 5% projected to be reached in 2017. The annual payroll growth rate is assumed to be 2.5%. The remaining amortization period for the unlimited actuarial accrued liability as of June 30, 2014 is 25.32 years.

REQUIRED SUPPLEMENTARY  
INFORMATION

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 SCHEDULE OF PENSION PLAN AND POSTEMPLOYMENT  
 BENEFITS FUNDING PROGRESS  
 June 30, 2014

Pension Plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2013	\$71,502	\$76,179	\$4,677	93.86%	\$25,297	18.49%
July 01, 2011	\$61,801	\$66,178	\$4,377	93.39%	\$24,778	17.67%
July 01, 2009	\$48,300	\$49,997	\$1,697	96.61%	\$25,105	6.76%

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 was a change made during the year and therefore only the most current year is presented.

Postemployment Benefits

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/09	\$0	\$632	\$632	0.00%	\$1,134	55.73%
07/01/11	\$0	\$697	\$697	0.00%	\$1,185	58.80%
07/01/13	\$0	\$1,063	\$1,063	0.00%	\$1,144	92.89%

SUPPLEMENTARY INFORMATION

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 BUDGET COMPARISON SCHEDULE  
 For the Year Ended June 30, 2014

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
<u>OPERATING REVENUES</u>			
Emergency telephone service charge	\$ 626,318	\$ 670,000	\$ 43,682
TECB - shared wireless charge	252,072	230,000	(22,072)
TECB - operational funding	265,860	345,000	79,140
Tower rental income	30,300	30,300	-
Cleveland State income	16,137	16,137	-
Miscellaneous income	41,235	40,736	(499)
Total Operating Revenues	<u>1,231,922</u>	<u>1,332,173</u>	<u>100,251</u>

OPERATING EXPENSES

Salaries and Wages

Director	77,188	78,250	1,062
Administrative personnel	244,178	246,400	2,222
Dispatchers	730,371	749,000	18,629
Overtime	49,708	50,000	292
Bonuses	2,924	3,300	376
Supplemental pay	20,430	27,000	6,570
Longevity pay	10,500	10,500	-
Sold vacation pay	7,905	8,000	95
College pay	750	750	-
Total Salaries and Wages	<u>1,143,954</u>	<u>1,173,200</u>	<u>29,246</u>

Employee Benefits

Social security	82,272	88,300	6,028
Life insurance	11,846	14,900	3,054
Medical insurance	185,077	207,600	22,523
Dental insurance	11,124	13,500	2,376
Unemployment compensation	-	5,000	5,000
Retirement compensation	143,940	151,200	7,260
Other fringe benefits	4,099	8,100	4,001
Postemployment health benefit expense	124,236	125,000	764
Total Employee Benefits	<u>562,594</u>	<u>613,600</u>	<u>51,006</u>

Contracted Services

Advertising	1,259	1,500	241
Audit services	8,296	8,300	4
Administrative fees - service charge	12,911	23,000	10,089

(Continued on next page)

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 BUDGET COMPARISON SCHEDULE  
 For the Year Ended June 30, 2014  
 (continued from previous page)

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
<u>Contracted Services (continued)</u>			
Fees paid to service providers	60,094	75,000	14,906
Impact payments	86,600	87,000	400
Janitorial services	8,086	9,000	914
Legal services	22,733	27,000	4,267
NCIC/TBI/TIES expenses	10,175	12,000	1,825
Lease/Rental - buildings & facilities	2,400	2,400	-
Computer system administration	68,145	70,000	1,855
Maint and repairs - comm equip	83,196	83,786	590
Maint and repairs - bldg & facility	44,725	51,657	6,932
Maint and repairs - office equip	8,611	11,000	2,389
Total Contracted Services	<u>417,231</u>	<u>461,643</u>	<u>44,412</u>
<u>Supplies and Materials</u>			
Office supplies	10,197	13,300	3,103
Custodial supplies	3,317	4,000	683
Postage	705	800	95
Small equipment purchases	7,386	14,200	6,814
Uniforms and shirts	2,782	2,800	18
Utilities - electric	16,202	19,600	3,398
Utilities - general telephone	25,091	28,500	3,409
Utilities - cell phone and pagers	11,894	15,500	3,606
Total Supplies and Materials	<u>77,574</u>	<u>98,700</u>	<u>21,126</u>
<u>Other Charges</u>			
Dues and memberships	2,958	3,500	542
Employee testing and exams	5,014	5,100	86
Insurance - workers compensation	4,295	5,000	705
Insurance - liability	7,507	8,000	493
Insurance - buildings and content	6,931	7,500	569
Insurance - equipment	2,281	2,500	219
Insurance - vehicles	466	500	34
Licenses and fees	143	300	157
Premiums on surety bonds	1,800	2,000	200
Service awards	445	500	55
Training expense	10,063	12,000	1,937
Travel expenses	18,237	20,000	1,763

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
 BUDGET COMPARISON SCHEDULE  
 For the Year Ended June 30, 2014  
 (continued from previous page)

	<u>Actual</u> <u>(Accrual Basis)</u>	<u>Budget</u> <u>(Accrual Basis)</u>	<u>Variance</u> <u>(Over) Under</u>
<u>Other Charges (continued)</u>			
Other charges	2,515	2,900	385
Total Other Charges	<u>62,655</u>	<u>69,800</u>	<u>7,145</u>
<u>Depreciation</u>			
Depreciation expense	133,840	118,000	(15,840)
Total Depreciation	<u>133,840</u>	<u>118,000</u>	<u>(15,840)</u>
Total Operating Expenses	<u>2,397,848</u>	<u>2,534,943</u>	<u>137,095</u>
Operating Loss	<u>(1,165,926)</u>	<u>(1,202,770)</u>	<u>36,844</u>
<u>NON-OPERATING REVENUES / (EXPENSES)</u>			
Interest income	5,211	5,500	289
TECB grants and reimbursement	174,330	174,330	-
Contributions from primary government	1,100,000	1,100,000	-
Contributions from other governments	11,090	11,090	-
Loss on disposal of asset	(714)	(714)	-
Non-Operating Revenue / Expense	<u>1,289,917</u>	<u>1,290,206</u>	<u>289</u>
Change in Net Position	<u>\$ 123,991</u>	<u>\$ 87,436</u>	<u>\$ 36,555</u>

**INTERNAL CONTROL  
AND COMPLIANCE SECTION**

HARTING, BISHOP & ARRENDALE, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA  
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MEMBER  
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TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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*

To the Board of Directors  
Bradley County "911" Emergency  
Communications District

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 Bradley County "911" Emergency Communications District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Bradley County "911" Emergency Communications District's basic financial statements, and have issued our report thereon dated September 26, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bradley County "911" 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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. 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 Bradley County "911" Emergency Communications District's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as item 2014-1.

## **Bradley County "911" Emergency Communications District's Response to Findings**

Bradley County "911" Emergency Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Bradley County "911" Emergency Communications District's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Harting, Bishop & Arrendale, PLLC*

Harting, Bishop & Arrendale, PLLC

Cleveland, Tennessee

September 26, 2014

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
For the Fiscal Year Ended June 30, 2014

The findings and recommendations as a result of the audit of the Bradley County "911" Emergency Communications District are presented below. This finding is repeated from the prior year.

2014-1: Budget

**Condition and Criteria:** The District is required to maintain expenditures within budget amounts. Budget line items were over expended.

**Effect:** District has made expenditures in excess of the amounts budgeted.

**Cause:** The District had one account with expenditures in excess of the budgeted amount.

**Recommendation:** We recommend the District maintain the approved budget to ensure expenditures remain within budget.

**Management Response:** We agree with the auditors' findings and recommendations and have implemented budget procedures to ensure expenditures are budgeted and budgets are properly amended.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
For the Fiscal Year Ended June 30, 2014

2013-1: Budget

Condition and Criteria: The District is required to maintain expenditures within budget amounts. Budget line items were over expended.

Effect: District has made expenditures in excess of the amounts budgeted.

Cause: The District had one account that had expenditures in excess of the budgeted amount.

Recommendation: We recommend the District maintain the approved budget to ensure expenditures remain within budget.

Current Status: The finding is repeated for the year ended June 30, 2014.