

Financial Statements

COCKE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Years Ended June 30, 2014 and 2013

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Cocke County Emergency Communications District
Newport, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Cocke County Emergency Communications District, a component unit of Cocke County, Tennessee, which comprise the statements of net position, as of June 30, 2014 and 2013 and the related statements of revenue, expenses and change in net position and statements of cash flows for the years 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 the 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 the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits 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 financial position of Cocke County Emergency Communications District as of June 30, 2014 and 2013 and the changes in its financial position and its cash flows for the years 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cocke County Emergency Communications District's financial statements. The statement of revenue, expenses and change in net position – 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, expenses and change in net position – 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 audits 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, expenses and change in net position – 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 audits 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 April 27, 2015 on our consideration of Cocke 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 Cocke 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.

April 27, 2015

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT (E-911)

*145 Mineral Street
Newport, Tennessee 37821*

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Cocke County Emergency Communications District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the District's performance during the fiscal years ended June 30, 2014, 2013 and 2012. Please read it in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis, the independent accountants' audit report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District using accounting methods similar to those used by private companies. These statements offer both short-term and long-term financial information about its activities. The statement of net position includes all of the District's assets and liabilities and provides information about where the District has invested its resources (assets) and the obligations to the District's credit (liabilities).

All of the current year's revenue and expenses are accounted for in the statement of revenue, expenses and change in net position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through surcharges and fees.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balances during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

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's activities in a way that will help answer this question. The two statements report the net position of the District and the changes in it. One can think of the District's net position, the difference between assets and liabilities, as one way to measure financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. A summary of the District's net position and change in it is presented below:

SUMMARIZED FINANCIAL INFORMATION

	<u>2014</u>	<u>2013</u>	<u>2012</u>
NET POSITION			
Current assets	\$ 1,860,508	\$ 1,730,064	\$ 1,580,700
Capital assets	<u>397,992</u>	<u>443,996</u>	<u>488,846</u>
TOTAL ASSETS	<u>\$ 2,258,500</u>	<u>\$ 2,174,061</u>	<u>\$ 2,069,546</u>
Liabilities	\$ 0	\$ 0	\$ 15,905
Net position:			
Investment in capital assets	397,992	443,996	488,845
Unrestricted	<u>1,860,507</u>	<u>1,730,064</u>	<u>1,564,796</u>
	<u>2,258,500</u>	<u>2,174,061</u>	<u>2,053,642</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,258,500</u>	<u>\$ 2,174,061</u>	<u>\$ 2,069,546</u>
CHANGE IN NET POSITION			
Operating revenue	\$ 488,179	\$ 522,521	\$ 481,383
Operating expenses	<u>428,704</u>	<u>468,337</u>	<u>466,364</u>
INCOME FROM OPERATIONS	59,474	54,184	15,020
Nonoperating (expense)revenue	(142,260)	63,343	50,711
Capital contributions	<u>167,224</u>	<u>2,892</u>	<u>46,957</u>
CHANGE IN NET POSITION	84,438	120,419	112,688
NET POSITION AT THE BEGINNING OF THE YEAR			
	<u>2,174,061</u>	<u>2,053,642</u>	<u>1,940,954</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 2,258,500</u>	<u>\$ 2,174,061</u>	<u>\$ 2,053,642</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

As shown by the summarized financial information, the District's net position has increased by \$84,438 during the year ended June 30, 2014 (\$120,419 during the year ended June 30, 2013 and \$112,688 during the year ended June 30, 2012). Operating revenue decreased at a rate of 7% in 2014 (increased 15% in 2013 and 1% in 2012) while expenses decreased at a rate of 8% (increased 0.004% in 2013 and 4% in 2012). The increase in net position was due primarily to increased capital contributions received from the State of Tennessee Emergency Communications Board.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Emergency telephone service charges	\$ 161,232	\$ 117,913	\$ 231,200
TECB-shared wireless charge	91,345	87,653	83,010
TECB-operational funding program	234,727	256,956	167,173

BUDGETARY HIGHLIGHTS

The District adopts an annual operating budget, which includes proposed expenses and the means for paying those expenses. As conditions change during the year, the budget may be amended to prevent budget overruns.

The District had a loss on disposal of equipment in the amount of \$233,715 which was not budgeted. The District also received \$129,224 more capital contributions from TECB than was originally budgeted. Actual expenses were \$184,982 more than the budgeted amount.

CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2014 amounted to \$821,939 (\$932,502 in 2013 and \$895,169 in 2012) with accumulated depreciation of \$423,947 (\$488,507 in 2013 and \$406,323 in 2012). Capital assets include the leasehold improvements, communications equipment, vehicles, as well as office furniture and office equipment.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing the District is the potential continued decrease in revenue generated from landline telephones. Many residents now use cell phones for their residential lines. While the increase in cell phone use is generating revenue, only a portion of that revenue is being returned to each 911 district under the current system being used by the state for distributing shared wireless fees. The uncertainty of landline use and income from shared wireless fees has been a problem in estimating revenue for budget preparation. However, in recent years, increased funding from the Tennessee Emergency Communications Board in the form of operational funding, grants and reimbursements have more than offset the decrease in emergency telephone service charges.

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 for the money it receives. If you have any question or need additional information, please contact Nancy Hansel, Director of the Cocke County Emergency Communications District, 145 Mineral Street, Newport, Tennessee 37821

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF NET POSITION

June 30, 2014 and 2013

	2014	2013
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,315,217	\$ 1,191,603
Certificates of deposit	509,754	505,206
Accounts receivable	11,169	14,161
Due from TECB	15,459	14,950
Due from other governments	4,763	0
Prepaid expenses	4,145	4,145
TOTAL CURRENT ASSETS	1,860,507	1,730,064
CAPITAL ASSETS		
Communications equipment	638,543	702,578
Office equipment	55,402	101,930
Vehicles	46,456	46,456
Leasehold improvements	81,540	81,540
	821,939	932,503
Accumulated depreciation	(423,947)	(488,507)
	397,992	443,996
TOTAL ASSETS	\$ 2,258,500	\$ 2,174,061

See the accompanying notes to the financial statements.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

Years Ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUE		
Emergency telephone service charges	\$ 161,232	\$ 177,913
TECB - shared wireless charge	91,345	87,653
TECB - operational funding program	234,727	256,956
Miscellaneous	875	0
TOTAL OPERATING REVENUE	488,179	522,521
OPERATING EXPENSES		
Salaries and wages:		
Director	54,653	58,747
Administrative personnel	31,244	35,226
Dispatchers	59,612	0
Overtime	2,973	10,002
Part-time personnel	22,833	87,455
	171,314	191,430
Employee benefits:		
Social security	10,512	11,228
Medicare	2,141	2,626
Life insurance	209	0
Medical insurance	29,738	30,046
Unemployment insurance	335	0
Retirement	9,795	14,152
	52,730	58,052
Contracted services:		
Advertising	1,533	1,058
Accounting and audit services	7,100	5,000
Contracts with private agencies	2,726	1,121
Data processing fees	2,800	0
Fuel-vehicles	2,002	2,669
Janitorial services	2,870	2,748
Lease/Rental - office equipment	1,104	1,104

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

(continued)

Years Ended June 30, 2014 and 2013

	2014	2013
Contracted services(continued):		
Maintenance agreements	25,787	28,437
Pest control	1,243	706
NCIC/TBI/TIES	1,680	4,480
Maintenance and repairs - buildings and facilities	2,522	2,162
Maintenance and repairs - office equipment	500	0
Maintenance and repairs - communications equipment	8,309	4,527
Maintenance and repairs - vehicles	746	2,046
	60,921	56,058
Supplies and materials:		
Office supplies	5,493	2,642
Custodial supplies	35	634
Data processing supplies	0	2,059
Postage	137	287
Small equipment purchases	827	2,669
Utilities - electric	5,980	5,739
Utilities - gas	2,866	685
Utilities - water	192	386
Utilities - general telephone	32,408	30,861
Utilities - cell phones and pagers	477	368
Other supplies and materials	2,020	0
	50,436	46,329
Other charges:		
Dues and memberships	440	598
Insurance	15,147	14,834
Attorney fees	0	2,220
Addressing	79	2,500
Public education	0	5,895
Training	6,738	2,394
Travel	3,930	3,528
Internet charges	672	1,073
	27,006	33,042

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

(continued)

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Depreciation	<u>66,297</u>	<u>83,427</u>
TOTAL OPERATING EXPENSES	<u>428,704</u>	<u>468,337</u>
INCOME FROM OPERATIONS	59,474	54,184
NONOPERATING REVENUE(EXPENSE)		
Contributions from other governments	72,321	54,097
Interest income	5,834	5,662
Insurance proceeds	13,300	4,371
Loss on disposal of equipment	<u>(233,715)</u>	<u>(787)</u>
	<u>(142,260)</u>	<u>63,343</u>
(LOSS)INCOME BEFORE CAPITAL CONTRIBUTIONS	(82,786)	117,528
CAPITAL CONTRIBUTIONS		
Capital contributions from TECB	<u>167,224</u>	<u>2,892</u>
CHANGE IN NET POSITION	84,438	120,419
NET POSITION AT THE BEGINNING OF THE YEAR	<u>2,174,061</u>	<u>2,053,642</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 2,258,500</u>	<u>\$ 2,174,061</u>

See the accompanying notes to the financial statements.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2014 and 2013

	2014	2013
CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Cash received from telephone charges	\$ 491,170	\$ 530,447
Cash paid to employees	(171,314)	(191,430)
Cash paid to suppliers	(196,364)	(209,927)
NET CASH PROVIDED BY OPERATING ACTIVITIES	123,492	129,090
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(254,009)	(39,364)
Capital contributions from TECB	167,224	2,892
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(86,785)	(36,472)
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from other governments	72,321	54,097
Insurance proceeds	13,300	4,371
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	85,621	58,468
CASH PROVIDED(USED) BY INVESTING ACTIVITIES		
Increase in certificates of deposit	(4,549)	(4,348)
Interest received	5,834	5,662
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,286	1,314
NET INCREASE IN CASH	123,613	152,401
CASH AT THE BEGINNING OF THE YEAR	1,191,603	1,039,203
CASH AT THE END OF THE YEAR	\$ 1,315,217	\$ 1,191,603

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENTS OF CASH FLOWS

(continued)

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES		
Income from operations	\$ 59,474	\$ 54,184
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	66,297	83,427
(Increase)decrease in:		
Accounts receivable	2,992	9,141
Due from TECB	(509)	(1,214)
Due from other governments	(4,763)	0
Prepaid expenses	0	(543)
Increase(decrease) in:		
Accounts payable	0	(12,050)
Payroll deductions payable	0	(3,855)
	<u>64,017</u>	<u>74,906</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 123,492</u>	<u>\$ 129,090</u>

See the accompanying notes to the financial statements.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE A - DESCRIPTION OF ORGANIZATION

Cocke County Emergency Communications District (the District) was created by a countywide referendum on November 8, 1988. The Cocke County Board of Commissioners appointed the District's initial Board of Directors on February 21, 1989 pursuant to Chapter 867 of the Public Acts of 1984. The District is responsible for the installation and maintenance of the emergency communications network of Cocke County, Tennessee (Enhanced 911 Service). The communications system became operational on November 15, 1992.

The District is considered a component unit of Cocke County, Tennessee because the Cocke County Board of Commissioners appoints a majority 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:

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014 and 2013

Investment in capital assets: This category includes capital assets, net of accumulated depreciation. Investment in capital assets at June 30, 2014 and 2013 has been calculated as follows:

	<u>2014</u>	<u>2013</u>
Capital assets	\$ 821,939	\$ 932,502
Accumulated depreciation	<u>(423,947)</u>	<u>(488,507)</u>
	<u>\$ 397,992</u>	<u>\$ 443,996</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 positions as of June 30, 2014 and 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 “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, 2014 and 2013 no allowance for uncollectible accounts was considered necessary.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014 and 2013

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 \$500 or more. Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to thirty years.

Compensated Absences

The District's full-time employees are granted vacation leave in varying amounts and may accumulate a maximum of 25 days. In the event of termination, the employee is paid for any unused vacation leave. The amount of unpaid leave at June 30, 2014 and 2013 was not material and not recorded.

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.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

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.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014 and 2013

State of Tennessee law authorizes the District to invest in obligations of the United States of America or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America 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.

At June 30, 2014 \$73,148 of the District's cumulative bank balances amounting to \$1,824,896 was exposed to custodial credit risk because it was neither insured through the Federal Deposit Insurance Corporation or the State of Tennessee Bank Collateral Pool nor was it collateralized with securities held by the District's agent in the District's name.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014 and 2013

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Balance</u> <u>7/1/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/14</u>
<u>Capital assets being depreciated</u>				
Communications equipment	\$ 702,578	\$ 254,009	\$ (318,044)	\$ 638,543
Office equipment	101,930	0	(46,528)	55,401
Vehicles	46,456	0	0	46,456
Leasehold improvements	<u>81,540</u>	<u>0</u>	<u>0</u>	<u>81,540</u>
	932,502	254,009	(364,572)	821,939
<u>Accumulated depreciation</u>				
Communications equipment	(362,997)	(51,825)	120,388	(294,434)
Office equipment	(50,270)	(4,477)	10,469	(44,278)
Vehicles	(39,110)	(4,897)	0	(44,007)
Leasehold improvements	<u>(36,131)</u>	<u>(5,099)</u>	<u>0</u>	<u>(41,229)</u>
	<u>(488,507)</u>	<u>(66,297)</u>	<u>130,857</u>	<u>(423,947)</u>
	<u>\$ 443,996</u>	<u>\$ (187,712)</u>	<u>\$ (233,715)</u>	<u>\$ 397,992</u>

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014 and 2013

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 being depreciated</u>				
Communications equipment	\$ 679,291	\$ 23,287	\$ 0	\$ 702,578
Office equipment	96,047	5,883	0	101,930
Vehicles	46,456	0	0	46,456
Leasehold improvements	<u>73,375</u>	<u>10,195</u>	<u>(2,030)</u>	<u>81,540</u>
	895,168	39,364	(2,030)	932,502
<u>Accumulated depreciation</u>				
Communications equipment	(298,836)	(64,161)	0	(362,997)
Office equipment	(40,956)	(9,314)	0	(50,270)
Vehicles	(34,213)	(4,897)	0	(39,110)
Leasehold improvements	<u>(32,319)</u>	<u>(5,055)</u>	<u>1,243</u>	<u>(36,131)</u>
	<u>(406,323)</u>	<u>(83,427)</u>	<u>1,243</u>	<u>(488,507)</u>
	<u>\$ 488,845</u>	<u>\$ (44,062)</u>	<u>\$ (787)</u>	<u>\$ 443,996</u>

NOTE E - 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 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 a disability that is the result of an accident or injury occurring while the member was in the performance of duty.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014 and 2013

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 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, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

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

The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014 was 9.63% 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, 2014, the District's annual pension cost of \$9,795 to 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) 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 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 17 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014 and 2013

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/14	\$ 9,795	100.00%	\$ 0
6/30/13	14,152	100.00	0
6/30/12	14,475	100.00	0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 66.61% funded. The actuarial accrued liability (AAL) for benefits was \$0.16 million, and the actuarial value of assets was \$0.11 million, resulting in a UAAL of \$0.05 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.13 million, and the ratio of the UAAL to the covered payroll was 41.70%.

NOTE F - 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.

NOTE G - LEASE OBLIGATIONS

The District leases its facilities from the City of Newport, Tennessee under an operating lease expiring in January 2015. The terms of the lease provide for lease payments of \$1.00 per year.

REQUIRED SUPPLEMENTARY INFORMATION

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

FUNDING PROGRESS – POLITICAL SUBDIVISION
PENSION PLAN SUPPLEMENTARY INFORMATION

June 30, 2014

	7/1/13	7/1/11	7/1/09
Actuarial valuation date			
Actuarial value of plan assets	\$ 110,000	\$ 57,000	\$ 15,000
Actuarial accrued liability (AAL)	165,000	113,000	93,000
Unfunded AAL (UAAL)	55,000	57,000	78,000
Funded ratio	66.61%	50.15%	16.51%
Covered payroll	132,000	104,000	117,000
UAAL as a percentage of covered payroll	41.70%	54.34%	66.07%

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
ACTUAL AND BUDGET

Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
OPERATING REVENUE			
Emergency telephone service charges	\$ 161,232	\$ 175,000	\$ (13,768)
TECB - shared wireless charge	91,345	85,000	6,345
TECB - operational funding program	234,727	160,000	74,727
Miscellaneous	<u>875</u>	<u>0</u>	<u>875</u>
TOTAL OPERATING REVENUE	488,179	420,000	68,179
OPERATING EXPENSES			
Salaries and wages:			
Director	54,653	54,653	0
Administrative personnel	31,244	41,914	(10,670)
Dispatchers	59,612	52,250	7,362
Overtime	2,973	12,120	(9,147)
Part-time personnel	<u>22,833</u>	<u>23,900</u>	<u>(1,067)</u>
	171,314	184,837	(13,521)
Employee benefits:			
Social security	10,512	15,000	(4,488)
Medicare	2,141	3,500	(1,359)
Medical insurance	29,738	36,000	(6,262)
Retirement	9,795	21,000	(11,205)
Life insurance	209	0	209
Unemployment insurance	<u>335</u>	<u>1,000</u>	<u>(665)</u>
	52,730	76,500	(23,770)
Contracted services:			
Advertising	1,533	1,150	383
Audit services	7,100	5,500	1,600
Contracts with private agencies	2,726	1,200	1,526
Data processing fees	2,800	0	2,800
Janitorial services	2,870	2,750	120
Lease/Rental-office equipment	1,104	1,400	(296)

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Contracted services(continued):			
Maintenance agreements	25,787	37,500	(11,713)
Pest control	1,243	750	493
NCIC/TBI/TIES expenses	1,680	5,500	(3,820)
Maintenance and repairs - communications equipment	8,309	15,000	(6,691)
Maintenance and repairs - buildings and facilities	2,522	12,000	(9,478)
Maintenance and repairs - office equipment	500	500	0
Maintenance and repairs - fuel	2,002	3,000	(998)
Maintenance and repairs - vehicles	746	2,000	(1,254)
	<u>60,921</u>	<u>88,250</u>	<u>(27,329)</u>
Supplies and materials:			
Office supplies	5,493	3,500	1,993
Custodial supplies	35	1,000	(965)
Data processing supplies	0	4,000	(4,000)
Postage	137	200	(63)
Uniforms	0	2,000	(2,000)
Small equipment purchases	827	18,000	(17,173)
Utilities - electric	5,980	6,500	(520)
Utilities - gas	2,866	1,000	1,866
Utilities - water	192	600	(408)
Utilities - general telephone	32,408	36,000	(3,592)
Utilities - cell phones and pagers	477	900	(423)
Other supplies and materials	2,020	3,500	(1,480)
	<u>50,436</u>	<u>77,200</u>	<u>(26,764)</u>
Other charges:			
Board meeting expense	0	200	(200)
Dues and memberships	440	750	(310)
Insurance	15,147	16,200	(1,053)

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Other charges(continued):			
Attorney fees	0	5,000	(5,000)
Addressing	79	2,500	(2,421)
Public education	0	6,000	(6,000)
Service awards	0	500	(500)
Training	6,738	8,000	(1,262)
Travel	3,930	10,000	(6,070)
Internet charges	672	1,500	(828)
	<u>27,006</u>	<u>50,650</u>	<u>(23,644)</u>
Depreciation	<u>66,297</u>	<u>0</u>	<u>66,297</u>
TOTAL OPERATING EXPENSES	<u>428,704</u>	<u>477,437</u>	<u>(48,732)</u>
INCOME(LOSS) FROM OPERATIONS	59,474	(57,437)	116,911
NONOPERATING REVENUE (EXPENSE)			
Contributions from other governments	72,321	58,000	14,321
Interest income	5,834	3,000	2,834
Insurance proceeds	13,300	0	13,300
Loss on disposal of equipment	(233,715)	0	(233,715)
	<u>(142,260)</u>	<u>61,000</u>	<u>(203,260)</u>
(LOSS)INCOME BEFORE CAPITAL CONTRIBUTIONS	(82,786)	3,563	(86,349)
CAPITAL CONTRIBUTIONS			
Capital contributions from TECB	167,224	38,000	129,224

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
CHANGE IN NET POSITION	84,438	41,563	42,875
NET POSITION AT THE BEGINNING OF THE YEAR	<u>2,174,061</u>	<u>0</u>	<u>2,174,061</u>
NET POSITION AT THE END OF THE YEAR	<u>\$ 2,258,500</u>	<u>\$ 41,563</u>	<u>\$ 2,216,936</u>

See the accompanying independent accountants' audit report.

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BOARD OF DIRECTORS

June 30, 2014

Maurice Shults
Newell Byrd
Randy Ragan
William Smallwood
Armando Fontes
Connie Ball
Harold Woody
Norman Smith
Vanessa Dennis

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
Cocke County Emergency Communications District
Newport, 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 of America, the financial statements of Cocke County Emergency Communications District, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenue, expenses and change in net position and statements of cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated April 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Cocke 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 Cocke County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Cocke 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 Cocke 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 audits 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 Cocke 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 audits, 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*.

We noted certain other matters that we have reported to management of Cocke County Emergency Communications District in a separate letter dated April 27, 2015.

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 Cocke 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 Cocke County Emergency Communications District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mitchell Emert & Hill

April 27, 2015

COCKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Financial Statement Findings

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2013-001	Receipt of Funds	Corrected