

**RHEA COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT**

Financial Statements

June 30, 2014 and 2013

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Financial Statements

June 30, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rhea County "911" Emergency Communications District
Evansville, Tennessee

We have audited the accompanying financial statements of Rhea County "911" Emergency Communications District as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Board's basic 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.

Auditor's 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 Rhea County "911" Emergency Communications District as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in the notes to the financial statements, the Board has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013.

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 5 and the schedule of funding progress on page 17 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 opinions on the financial statement that collectively comprise the Board's basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information schedules reported on pages 3 and 18 through 19 have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of 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 the Board's internal control over financial reporting and compliance.


ARNETT, KIRKSEY, KIMSEY, SULLIVAN, LAY & HALL, PLLC
Certified Public Accountants

December 10, 2014

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Roster of Management Officials and Board Members

For the Years Ended June 30, 2014 and 2013

Management Officials:

Shane Clark	Director
Darlene Monroe	Assistant Director

Board Members:

Earl "Bo" Kaylor	Chairman
Ted Jones	Vice Chairman
Bob Piolatto	Treasurer
Billy Cranfield	Secretary
Tracy Taylor	Board Member
Sarah McDaniel	Board Member
Billy Thedford, Jr.	Board Member
Sheriff Mike Neal	Board Member
Tommy Solomon	Board Member

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Financial Statements

June 30, 2014 and 2013

The Board of Rhea County "911" Emergency Communications District

Management's Discussion and Analysis

June 30, 2014

The Board of Rhea County "911" Emergency Communications District (the "Board") has implemented Governmental Auditing Standards Board ("GASB") Statement No. 34, Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments, for the years ending June 30, 2014 and 2013.

Financial Statement Overview

The Balance Sheets include the assets and liabilities of the Rhea County "911" Emergency Communications District that represent available resources and required obligations, with the difference reported as net position. The change in net position is a potential indicator of the improving or deteriorating financial position of Rhea County "911". The change in net position is a function of the revenues and expenses, which are recorded in the Statements of Revenues, Expenses, and Changes in Net Position. Revenues are recorded as they are earned and expenses are recorded when incurred (regardless of cash requirements). Cash activity for the period is presented in the Statement of Cash Flows and the activity is segmented between operating, investing, and financing activities. In addition, the Notes to the Financial Statements offer additional information to provide a full understanding of the financial activity and position of Rhea County "911" Emergency Communications District.

Financial Analysis

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 1,339,361	\$ 1,362,112	\$ 1,131,492
Capital assets	440,781	303,377	346,824
Intangible assets	55,151	43,420	57,598
Total assets	<u>\$ 1,835,293</u>	<u>\$ 1,708,909</u>	<u>\$ 1,535,914</u>
Current/total liabilities	<u>\$ 3,330</u>	<u>\$ 1,305</u>	<u>\$ 8,958</u>
Invested in capital assets	\$ 495,932	\$ 346,797	\$ 404,422
Unrestricted	1,336,031	1,360,807	1,122,534
Total net position	<u>\$ 1,831,963</u>	<u>\$ 1,707,604</u>	<u>\$ 1,526,956</u>
Operating revenues	\$ 379,551	\$ 472,969	\$ 441,863
Operating expenses	367,709	359,228	380,571
Net operating income	<u>\$ 11,842</u>	<u>\$ 113,741</u>	<u>\$ 61,292</u>
Interest income	\$ 1,361	\$ 1,213	\$ 1,775

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Financial Statements

June 30, 2014 and 2013

Assets:

In the previous year, assets added by Rhea County "911" Emergency Communications District during the year included communications equipment totaling \$26,253. In the current year, assets added by Rhea County "911" Emergency Communications District during the year included improvements, furniture, and communications equipment totaling \$227,903.

Revenues:

In the previous year, operating Revenues increased 7.04% from 2012 to 2013. This increase is a result of having the same sources of revenue and an increase in operational funding.

In the current year, operating Revenues decreased 19.07% from 2013 to 2014. This decrease is a result of having the same sources of revenue and a decrease in operational funding.

Net Position:

In the previous year, Rhea County "911" Emergency Communications completed the year with net position of \$1,707,604 an increase of \$180,648 over the previous year.

In the current year, Rhea County "911" Emergency Communications completed the year with net position of \$1,831,963 an increase of \$124,359 over the previous year.

Financial Activity & Plans for Future Needs

Rhea County "911" Emergency Communications District will continue to meet with local departments regarding the sharing of mapped imagery in an effort to share the cost of that imagery with the local departments. Agreements have been made with some local departments to begin imagery sharing.

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Statement of Net Position

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,239,988	\$ 1,265,197
Investments	85,019	84,929
Accounts receivable	9,623	10,681
Prepaid expenses	4,731	1,305
Total Current Assets	<u>\$ 1,339,361</u>	<u>\$ 1,362,112</u>
CAPITAL ASSETS		
Building and improvements	\$ 374,726	\$ 367,463
Furniture and fixtures	98,734	90,864
Office equipment	5,089	5,089
Communications equipment	623,295	432,797
Vehicles	44,498	44,498
Less accumulated depreciation	(705,561)	(637,334)
Net Capital Assets	<u>\$ 440,781</u>	<u>\$ 303,377</u>
INTANGIBLE ASSETS		
Database development	\$ 123,144	\$ 100,872
Less accumulated amortization	(67,993)	(57,452)
Net Intangible Assets	<u>\$ 55,151</u>	<u>\$ 43,420</u>
TOTAL ASSETS	<u><u>\$ 1,835,293</u></u>	<u><u>\$ 1,708,909</u></u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 3,330	\$ 1,305
Total Liabilities	<u>\$ 3,330</u>	<u>\$ 1,305</u>
NET POSITION		
Net investment in capital assets	\$ 495,932	\$ 346,797
Unrestricted	1,336,031	1,360,807
Total Net Position	<u>\$ 1,831,963</u>	<u>\$ 1,707,604</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,835,293</u></u>	<u><u>\$ 1,708,909</u></u>

The accompanying notes are an integral part of these financial statements.

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Statement of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Emergency telephone service charge	\$ 131,315	\$ 189,431
TN Emergency Communications Board - shared wireless charge	81,022	116,324
TN Emergency Communications Board - operational funding	<u>167,214</u>	<u>167,214</u>
Total Operating Revenues	<u>\$ 379,551</u>	<u>\$ 472,969</u>
OPERATING EXPENSES		
Audit services	\$ 3,500	\$ 3,500
Accounting services	600	800
Impact payment	183,000	172,615
Legal services	7,600	7,768
Maintenance agreements	27,086	29,468
Mapping/data base consulting	13,195	12,350
NCIC/TBI/TIES expenses	2,240	2,240
Lease/rental - office equipment	1,821	1,752
Maintenance and repair - communications equipment	2,645	2,483
Maintenance and repair - buildings and facilities	6,528	665
Maintenance and repair - office equipment	381	1,279
Maintenance and repair - vehicles	559	1,057
Office supplies	447	269
Postage	262	302
Small equipment purchases	1,267	1,023
Uniforms and shirts	0	150
Utilities - general telephone	19,263	17,772
Utilities - cell phones and pagers	1,379	1,085
Board meeting expenses	655	956
Dues and memberships	1,795	3,270
Legal notices	257	269
Licenses and fees	16	188
Premiums on surety bonds	700	400
Training expenses	11,249	10,811
Internet charges	1,857	2,251
Weather communication	639	626
Depreciation expense	68,228	69,700
Amortization expense	<u>10,540</u>	<u>14,179</u>
Total Operating Expenses	<u>\$ 367,709</u>	<u>\$ 359,228</u>
Operating Income	<u>\$ 11,842</u>	<u>\$ 113,741</u>
NON-OPERATING REVENUES		
Gain on disposal of property	\$ 0	\$ 1,677
Interest income	1,361	1,213
TN Emergency Communications Board - reimbursements	<u>111,156</u>	<u>64,017</u>
Total Non-Operating Revenues	<u>\$ 112,517</u>	<u>\$ 66,907</u>
CHANGE IN NET POSITION	<u>\$ 124,359</u>	<u>\$ 180,648</u>
BEGINNING NET POSITION	<u>1,707,604</u>	<u>1,526,956</u>
ENDING NET POSITION	<u><u>\$ 1,831,963</u></u>	<u><u>\$ 1,707,604</u></u>

The accompanying notes are an integral part of these financial statements.

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Statement of Cash Flows

For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from line fees	\$ 380,609	\$ 474,911
Payments to suppliers for goods and services	(107,342)	(101,003)
Payments to employees for services	(183,000)	(180,000)
Net cash provided by operating activities	<u>\$ 90,267</u>	<u>\$ 193,908</u>
Cash flows from noncapital financing activities:		
State reimbursements	<u>\$ 111,156</u>	<u>\$ 64,017</u>
Net cash provided by noncapital financing activities	<u>\$ 111,156</u>	<u>\$ 64,017</u>
Cash flows from capital and related financing activities:		
Gain on sale of asset	\$ 0	\$ 1,677
Purchase of assets	(227,903)	(26,253)
Net cash used in capital and related financing activities	<u>\$ (227,903)</u>	<u>\$ (24,576)</u>
Cash flows from investing activities:		
Interest received	\$ 1,361	\$ 1,213
Increase of investments	(90)	(125)
Net cash provided by investing activities	<u>\$ 1,271</u>	<u>\$ 1,088</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (25,209)</u>	<u>\$ 234,437</u>
Cash and cash equivalents, beginning of year	<u>1,265,197</u>	<u>1,030,760</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,239,988</u></u>	<u><u>\$ 1,265,197</u></u>
Reconciliation of operating revenues to net cash provided by operating activities:		
Operating income	\$ 11,842	\$ 113,741
Adjustments to reconcile new operating revenues to net cash provided by operating activities:		
Depreciation and amortization	78,768	83,879
Changes in operating assets and liabilities:		
Accounts payable	2,025	(269)
Accounts receivable	1,058	1,942
Prepaid expenses	(3,426)	2,000
Compensated absences payable	0	(7,385)
Net cash provided by operating activities	<u><u>\$ 90,267</u></u>	<u><u>\$ 193,908</u></u>

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2014 and 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Rhea County "911" Emergency Communications District was established on September 13, 1990, for the purpose of providing an enhanced level of "911" service for Rhea County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. The District is a component unit of Rhea County which provides employees and operation facilities in exchange for impact payments and appoints all board members. The County has financial responsibility through the approval of the District's budget and the ability to modify fee rates.

Basis of Accounting

Rhea County "911" Emergency Communications District follows the provisions of Statement No. 34 (Statement 34) of the Government Accounting Standards Board (GASB) Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

Rhea County "911" Emergency Communications District is accounted for as an enterprise fund as prescribed by the State. Enterprise funds are a type of proprietary fund, and as such, are reported in accordance with generally accepted accounting principles for proprietary funds as defined by GASB. Proprietary funds types are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business and where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Operating revenues in proprietary funds are those revenues generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. The State has defined grants and reimbursements from TECB to be non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expense are reported as non-operating expenses.

Recently Adopted New Accounting Pronouncements

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units. The adoption of GASB Statement No. 61 did not have any impact on Rhea County "911" Emergency Communications District's financial statements.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedures issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 amends the net asset reporting requirements in Statement No. 34 and other pronouncements. Under these new standards, financial statements include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and will report *net position* instead of net assets. GASB Statement No. 63 requires the classification of net position into three components - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. These classifications are defined as follows:

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2014 and 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Net investment in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted net position* - This component of the net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- *Unrestricted net position* - This component of net position consists of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of invested in capital assets, net of related debt, or the restricted component of net position.

Implementation of GASB Statement No. 63 had no effect on Rhea County "911" Emergency Communications District's net position or changes in net position for the fiscal years ended June 30, 2014 and 2013.

Fixed Assets

Expenditures for fixed assets are recorded at historical cost. Depreciation is being computed for furniture and equipment using the 200% double-declining balance method. Building and fencing are depreciated using the straight-line method. The depreciation periods are as follows:

Vehicles	5 years
Furniture and equipment	5-7 years
Building	10-40 years
Fence	15 years

Intangible Assets

Amortization of the cost of intangible assets commenced on completion of each project and when they were integrated into the operational Enhanced "911" equipment. The amortization period for the intangible asset cost is over the term of years as follows:

<u>Description</u>	<u>Cost</u>	<u>Period</u>
Mapping/Imagery Software	\$ 55,151	3 years

Investments

Investments are stated at cost which approximates market. State statutes authorize the district to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and pooled investment funds.

Budgets and Budgetary Accounting

The Rhea County "911" Emergency Communications 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.

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2014 and 2013

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 10, 2014, the date the financial statements were available to be issued.

Note 2 - TAX STATUS

Rhea County 911 Emergency agency was incorporated as a political subdivision under the Tennessee Emergency Agency Communications District Law, it is exempt from federal income taxes.

Note 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three months or less, primarily with local financial institutions. At year end, all deposits were covered by federal depository insurance or by collateral held by the State of Tennessee Collateral Pool for Public Deposits.

Note 4 - DEPOSITS AND INVESTMENTS

The District's investments include:

	2014		2013	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Community National Bank Growth Fund	\$ 23,176	\$ 23,176	\$ 23,142	\$ 23,142
Local Government Investment Pool	61,787	61,787	61,787	61,787
Total Investments	<u>\$ 84,963</u>	<u>\$ 84,963</u>	<u>\$ 84,929</u>	<u>\$ 84,929</u>

At year end, all deposits of the Rhea County "911" Emergency Communications District were covered by federal depository insurance or by collateral held by the State of Tennessee Collateral Pool for Public Deposits.

Investments in the State of Tennessee Local Government Investment Pool are valued based upon the value of pool shares. The responsibility for conducting the State's investment program resides with the State Treasurer pursuant to Tennessee Code Annotated, Section 9-4-602 and shall be exercised in accordance with the investment policy and resolutions of the State Funding Board.

Interest rate risk - In accordance with its investment policy, the Rhea County "911" Emergency Communications District manages its exposure to declines in market values by limiting the amount invested in long-term investments and bidding the amount of interest earned on savings accounts with area banks.

Credit risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs).

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2014 and 2013

Note 5 - CAPITAL AND INTANGIBLE ASSETS

The following is a schedule of Changes to Capital and Intangible Assets for the year ending 6/30/2013:

Capital and intangible assets, being depreciated/amortized:	Beginning			Ending Balance
	Balance	Additions	Retirements	
Buildings and improvements	\$ 367,463	\$ 0	\$ 0	\$ 367,463
Furniture and fixtures	90,864	0	0	90,864
Office equipment	5,089	0	0	5,089
Communications equipment	406,544	26,253	0	432,797
Vehicles	65,759	0	(21,261)	44,498
Database development	100,872	0	0	100,872
Total capital and intangible assets being depreciated/amortized	\$ 1,036,591	\$ 26,253	\$ (21,261)	\$ 1,041,583
Less accumulated depreciation/amortization for:				
Buildings and improvements	\$ (84,520)	\$ (14,214)	\$ 0	\$ (98,734)
Furniture and fixtures	(68,855)	(8,263)	0	(77,118)
Office equipment	(4,014)	(485)	0	(4,499)
Communications equipment	(384,935)	(39,063)	0	(423,998)
Vehicles	(46,571)	(7,675)	21,261	(32,985)
Database development	(43,274)	(14,178)	0	(57,452)
Total accumulated depreciation/amortization	\$ (632,169)	\$ (83,878)	\$ 21,261	\$ (694,786)
Total capital and intangible assets being depreciated/amortized, net	\$ 404,422	\$ (57,625)	\$ 0	\$ 346,797

The following is a schedule of Changes to Capital and Intangible Assets for the year ending 6/30/2014:

Capital and intangible assets, being depreciated/amortized:	Beginning			Ending Balance
	Balance	Additions	Retirements	
Buildings and improvements	\$ 367,463	\$ 7,263	\$ 0	\$ 374,726
Furniture and fixtures	90,864	7,870	0	98,734
Office equipment	5,089	0	0	5,089
Communications equipment	432,797	190,498	0	623,295
Vehicles	44,498	0	0	44,498
Database development	100,872	22,272	0	123,144
Total capital and intangible assets being depreciated/amortized	\$ 1,041,583	\$ 227,903	\$ 0	\$ 1,269,486
Less accumulated depreciation/amortization for:				
Buildings and improvements	\$ (98,734)	\$ (13,760)	\$ 0	\$ (112,494)
Furniture and fixtures	(77,118)	(8,720)	0	(85,838)
Office equipment	(4,499)	(416)	0	(4,915)
Communications equipment	(423,998)	(40,726)	0	(464,724)
Vehicles	(32,985)	(4,605)	0	(37,590)
Database development	(57,452)	(10,541)	0	(67,993)
Total accumulated depreciation/amortization	\$ (694,786)	\$ (78,768)	\$ 0	\$ (773,554)
Total capital and intangible assets being depreciated/amortized, net	\$ 346,797	\$ 149,135	\$ 0	\$ 495,932

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2014 and 2013

Note 6 - RETIREMENT PLAN

Plan Description

Certain employees of Rhea County 911 Emergency Agency 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). The participation in the Plan is through Rhea County 911 Emergency Agency's limited association with Rhea County government.

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 not service member requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Member 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 Rhea County 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 financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 15th Floor, Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>

Funding Policy, Annual Pension Cost, Trend Information and Funding Status and Funding Progress

Information for these areas is not specifically available for Rhea County 911 Emergency Agency but is included within the aggregated information for Rhea County Government as a whole. Please find this information for Rhea County within its comprehensive annual financial report for the year ended June 30, 2014.

Note 7 - COMMERCIAL INSURANCE

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, employee health and accident, and environmental. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 8 - USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Note 9 - USE OF RESTRICTED/UNRESTRICTED NET POSITION

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

Note 10 - RECLASSIFICATIONS

For comparability purposes, certain prior year accounts have been reclassified.

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements

June 30, 2014 and 2013

Note 11 - IMPACT PAYMENTS

Rhea County government currently pays all of Rhea County 911 Emergency Agency payroll liabilities and taxes associated with these salaries. The director and assistance director salaries and payroll taxes are being reimbursed to Rhea County government. All dispatcher salaries and related taxes are being covered by the county in entirety. The agency is also reimbursing Rhea County for the agency's portion radio maintenance and equipment upgrades. Impact payments for the years ended June 30, 2014 and 2013 totaled \$183,000 and \$172,615 respectively. The 2013 impact payment of \$172,615 was reduced by \$7,385 for prior year's compensated absences accrual covered by the impact payment. The actual impact payment for June 30, 2013 was \$180,000.

Note 12 - COMPENSATED ABSENCES

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with Rhea County 911 District. Employees may carry forward up to twenty days of vacation into the next calendar year. Employees are entitled to the accrued vacation leave upon termination of service. All payrolls are handled by Rhea County government for this agency, therefore any vacation accruals are accumulated and reported at that level.

Note 13 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of new position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. Rhea County 911 Emergency Agency does not have any items that qualify for reporting in this category as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. Rhea County 911 Emergency Agency does not have any items that qualify for reporting in this category as of June 30, 2014.

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Required Supplementary Information

For the Years Ended June 30, 2014 and 2013

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS FOR THE TCRS PLAN

Schedule of Funding Progress for Rhea County General Fund 88470, which includes Rhea County "911" Emergency Communications District

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) -Entry Age (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 1, 2013	\$42,161	\$47,752	\$5,591	88.29%	\$14,400	38.83%
July 1, 2011	\$37,167	\$39,011	\$1,844	95.27%	\$14,949	12.34%
July 1, 2009	\$30,045	\$32,160	\$2,115	93.42%	\$14,653	14.44%

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT*Schedule of Income and Expenses Compared to Budget**For the Year Ended June 30, 2014*

	Actual	Budget	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Emergency telephone service charge	\$ 131,315	\$ 187,000	\$ (55,685)
TN Emergency Communications Board - shared wireless charge	81,022	75,000	6,022
TN Emergency Communications Board - operational funding	<u>167,214</u>	<u>167,214</u>	<u>0</u>
Total Operating Revenues	<u>\$ 379,551</u>	<u>\$ 429,214</u>	<u>\$ (49,663)</u>
OPERATING EXPENSES			
Audit services	\$ 3,500	\$ 3,500	\$ 0
Accounting services	600	800	200
Impact payment	183,000	183,000	0
Legal services	7,600	7,600	0
Maintenance agreements	27,086	32,059	4,973
Mapping/data base consulting	13,195	15,000	1,805
NCIC/TBI/TIES expenses	2,240	2,240	0
Lease/rental - office equipment	1,821	2,500	679
Maintenance and repair - communications equipment	2,645	2,500	(145)
Maintenance and repair - buildings and facilities	6,528	1,500	(5,028)
Maintenance and repair - office equipment	381	1,500	1,119
Maintenance and repair - vehicles	559	1,200	641
Office supplies	447	1,000	553
Postage	262	300	38
Small equipment purchases	1,267	2,000	733
Uniforms and shirts	0	2,000	2,000
Utilities - general telephone	19,263	20,000	737
Utilities - cell phones and pagers	1,379	1,080	(299)
Board meeting expenses	655	1,500	845
Dues and memberships	1,795	3,300	1,505
Legal notices	257	300	43
Licenses and fees	16	200	184
Premiums on surety bonds	700	500	(200)
Training expenses	11,249	16,000	4,751
Internet charges	1,857	3,000	1,143
Weather communication	639	700	61
Depreciation expense	68,228	62,219	(6,009)
Amortization expense	<u>10,540</u>	<u>0</u>	<u>(10,540)</u>
Total Operating Expenses	<u>\$ 367,709</u>	<u>\$ 367,498</u>	<u>\$ (211)</u>
Operating Income	<u>\$ 11,842</u>	<u>\$ 61,716</u>	<u>\$ (49,874)</u>
NON-OPERATING INCOME			
Interest income	\$ 1,361	\$ 1,188	\$ 173
TN Emergency Communications Board - reimbursements	<u>111,156</u>	<u>56,000</u>	<u>55,156</u>
Total Non-Operating Income	<u>\$ 112,517</u>	<u>\$ 57,188</u>	<u>\$ 55,329</u>
NET INCOME	<u>\$ 124,359</u>	<u>\$ 118,904</u>	<u>\$ 5,455</u>

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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 of the
Rhea County "911" Emergency Communications District
Evensville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rhea County "911" Communications District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Rhea County "911" Communications District's basic financial statements, and have issued our report thereon dated December 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rhea County "911" 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 Rhea County "911" Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Rhea County "911" 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 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 Rhea County "911" Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 questioned costs as item 2014-1.

Rhea County "911" Communications District's Response to Findings

The Rhea County "911" Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Rhea County "911" Communications District's response was not subjected to the 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 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.


ARNETT, KIRKSEY, KIMSEY, SULLIVAN, LAY & HALL, PLLC
Certified Public Accountants

December 10, 2014

RHEA COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Rhea County "911" Emergency Communications District.
2. One instance of noncompliance was identified during the audit of the financial statements.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

NONCOMPLIANCE 2014-1

CONDITION: Several account balances exceeded the adopted budget.

CRITERIA: Tennessee Code Annotated, Section 7-86-120 requires that all expenses be at or below budgetary amounts for the fiscal year.

EFFECT: Revenues and Expenses do not accurately reflect the intended business operations as per the adopted budget.

RECOMMENDATION: Management should either review the budget more frequently or monitor individual accounts more closely.

RESPONSE: Steps will be taken to ensure that all expense amounts are within the fiscal year adopted budget amounts. Management states that they will continue to review the budget at all Board meetings to help ensure the budget stays within actual revenues and expenses

C. SUMMARY OF PRIOR AUDIT FINDINGS

1. The budgetary financial statement reflected several amounts that exceeded the adopted budget, reported again this year as NONCOMPLIANCE 2014-1.