

Financial Statements

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Year Ended June 30, 2014

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Roane County Emergency Communications District
Rockwood, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Roane County Emergency Communications District, a component unit of Roane County, Tennessee, which comprise the statement of net position as of June 30, 2014 and the related statement of revenue, expenses and change in net position and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Roane County Emergency Communications District as of June 30, 2014 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2015 on our consideration of Roane County Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Roane County Emergency Communications District's internal control over financial reporting and compliance.

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

January 6, 2015

**ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

330 CARDIFF VALLEY ROAD
ROCKWOOD, TN 37854
PHONE (865) 354-0704 FAX (865) 354-4983

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of Roane 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 year ended June 30, 2014. Please read it in conjunction with the District’s financial statements, as listed in the table of contents.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management’s discussion and analysis report, 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 sector 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 creditors (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 change 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 is 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>
NET POSITION		
Current assets	\$ 743,456	\$ 646,375
Capital assets, net of accumulated depreciation	<u>828,743</u>	<u>725,009</u>
Total assets	<u>\$ 1,572,199</u>	<u>\$ 1,371,384</u>
Liabilities	\$ 70,565	\$ 103,967
Net position:		
Net investment in capital assets	786,326	642,150
Unrestricted	<u>715,307</u>	<u>625,267</u>
Total net position	<u>1,501,633</u>	<u>1,267,417</u>
Total liabilities and net position	<u>\$ 1,572,199</u>	<u>\$ 1,371,384</u>
CHANGE IN NET POSITION		
Operating revenue	\$ 633,684	\$ 693,008
Operating expenses	<u>1,187,331</u>	<u>1,095,339</u>
(Loss) from operations	(553,647)	(402,331)
Net non-operating revenue(expense)	<u>787,863</u>	<u>559,691</u>
Change in net position	234,216	157,360
Net position at the beginning of the year, as restated July 1, 2012	<u>1,267,417</u>	<u>1,110,057</u>
Net position at the end of the year	<u>\$ 1,501,633</u>	<u>\$ 1,267,417</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District completed the year ended June 30, 2014 with net position of \$1,501,633, which is \$234,216 more than last year's ending net position of \$1,267,417; an increase of 18% compared to last year. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by \$90,040 or 14% during the year ended June 30, 2014. The difference in the current year's result compared to last year was due primarily to an increase in contributions from other governments.

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

	<u>2014</u>	<u>2013</u>
Emergency telephone service charges	\$ 225,991	\$ 264,322
TECB-shared wireless charge	130,944	125,651
TECB-operational funding	271,780	294,563

Contributions from primary and other governments	523,782	467,259
Other income	<u>4,969</u>	<u>8,471</u>
	<u>\$ 1,134,330</u>	<u>\$ 1,160,266</u>

Total operational costs for the District were \$1,187,331 for the year ended June 30, 2014; an increase of 8% compared to the prior year. This increase was mainly due to depreciation expense.

CAPITAL ASSETS

At June 30, 2014 the District had net investment in capital assets of \$786,326; an increase of \$144,176 or 22% compared to the prior year. This change was a result of the purchase of capital assets totaling \$273,671 and depreciation expense of \$88,897. Additional information on capital assets can be found in Note D.

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 final amended budget did not vary significantly from the original budget and budget amendments served to mainly distribute budgeted expenses from accounts which had less expenses than expected to accounts which had more expenses than originally budgeted. Actual revenue was greater than budgeted revenue by \$323,142, mainly due to more capital contributions received from the Tennessee Emergency Communications Board than expected. Actual expenses were more than budgeted expenses by \$94,506 mainly due to a loss on the disposal of 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.

DEBT

The District obtained loans totaling \$420,429 for the purchase of communications equipment during the year ended June 30, 2009. Principal payments in the amount of \$40,441 were made during the year ended June 30, 2014 (\$42,139 during the year ended June 30, 2013), leaving a balance due at June 30, 2014 of \$42,417.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general view of the District’s finances and to show the District’s accountability to the money it receives. If you have any questions about this report or need additional financial information, please contact Mike Hooks, Director of Roane County Emergency Communications District, 330 Cardiff Valley Road, Rockwood, TN 37854.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

ASSETS

CURRENT ASSETS

Cash		\$ 637,128
Certificate of deposit		58,499
Accounts receivable		18,401
Due from TECB		22,160
Prepaid expenses		2,236
Prepaid insurance		<u>3,966</u>

TOTAL CURRENT ASSETS 742,391

CAPITAL ASSETS

Land	\$ 30,056	
Buildings and improvements	406,883	
Furniture and fixtures	47,019	
Office equipment	50,935	
Communication equipment	1,253,860	
Vehicle	23,921	
Mapping system	<u>170,884</u>	
	1,983,559	
Accumulated depreciation	<u>(1,154,816)</u>	828,743

OTHER ASSETS

Utility deposits		<u>1,065</u>
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TOTAL ASSETS \$ 1,572,199

See the accompanying notes to the financial statements.

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$	1,910	
Payroll taxes payable		280	
Accrued salaries payable		14,462	
Accrued compensated absences		<u>11,497</u>	

TOTAL CURRENT LIABILITIES 28,148

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

42,417

TOTAL LIABILITIES 70,565

NET POSITION

Net investment in capital assets	\$	786,326	
Unrestricted		<u>715,307</u>	<u>1,501,633</u>

TOTAL LIABILITIES AND NET POSITION \$ 1,572,199

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

Year Ended June 30, 2014

OPERATING REVENUE

Emergency telephone service charges	\$	225,991	
TECB - shared wireless charge		130,944	
TECB - operational funding program		271,780	
Other operating revenue		<u>4,969</u>	

TOTAL OPERATING REVENUE 633,684

OPERATING EXPENSES

Salaries and wages:			
Director	\$	56,953	
Administrative personnel		61,397	
Dispatchers		432,420	
Other salaries and wages		<u>71,785</u>	622,555

Employee benefits:			
Retirement		35,760	
Medical insurance		115,730	
Life insurance		1,084	
Unemployment		2,181	
Social security		37,814	
Medicare		<u>8,844</u>	201,413

Contracted services:			
Audit services		7,100	
Accounting services		3,870	
Legal services		7,906	
Maintenance agreements		66,010	
Janitorial services		3,715	
NCIC/TBI/TIES		2,987	
Lease/Rental-repeater site		84	
Maintenance and repairs-buildings and facilities		22,999	
Maintenance and repairs-communications equipment		20,242	
Maintenance and repairs-mobile communications equipment		3,500	
Maintenance and repairs-vehicle		740	
Fuel-vehicles		<u>2,628</u>	141,781

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

(continued)

Year Ended June 30, 2014

Supplies and materials:		
Custodial supplies	825	
Data processing supplies	579	
Office supplies	957	
Postage	694	
Small equipment purchases	18,944	
Utilities-electric	14,747	
Utilities-gas	1,450	
Utilities-water and sewer	2,251	
Utilities-cell phones and pager	1,597	
Utilities-general telephone	<u>47,307</u>	89,351
Other charges:		
Dues and memberships	1,935	
Insurance-liability	22,249	
Insurance-workers' compensation	2,393	
Training	999	
Travel	3,462	
Internet charges	1,643	
Premiums on surety bonds	1,070	
Miscellaneous	<u>9,583</u>	43,333
Depreciation		<u>88,897</u>
TOTAL OPERATING EXPENSES		<u>1,187,331</u>
(LOSS) FROM OPERATIONS		(553,647)

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

(continued)

Year Ended June 30, 2014

NONOPERATING REVENUE(EXPENSE)

Contributions from other governments	523,782	
Loss on disposal of equipment	(81,039)	
Interest income	103	
Interest expense	<u>(4,324)</u>	438,522

CAPITAL CONTRIBUTIONS

Capital contributions from TECB		<u>349,341</u>
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CHANGE IN NET POSITION

234,216

NET POSITION AT THE BEGINNING

OF THE YEAR, as restated		<u>1,267,417</u>
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NET POSITION AT THE END OF THE YEAR

\$ 1,501,633

See the accompanying notes to the financial statements.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

CASH PROVIDED(USED) BY OPERATING ACTIVITIES	
Cash received from telephone charges	\$ 677,546
Cash paid to suppliers	(255,345)
Cash paid to employees	<u>(813,442)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(391,241)
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of equipment	\$ (273,671)
Capital contributions from TECB	349,341
Principal payments on long-term debt	(40,441)
Interest paid	<u>(4,324)</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	30,905
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Contributions from other governments	523,782
CASH PROVIDED(USED) BY INVESTING ACTIVITIES	
Interest received	<u>103</u>
NET INCREASE IN CASH	163,549
CASH AT THE BEGINNING OF THE YEAR	<u>473,579</u>
CASH AT THE END OF THE YEAR	<u><u>\$ 637,128</u></u>

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

(continued)

Year Ended June 30, 2014

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

(Loss) from operations		\$ (553,647)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities		
Depreciation	\$ 88,897	
Decrease in:		
Accounts receivable	579	
Due from TECB	43,282	
Prepaid expenses	20,062	
Prepaid insurance	2,546	
Increase(decrease) in:		
Accounts payable	(3,487)	
Payroll taxes payable	59	
Accrued salaries payable	3,445	
Accrued compensated absences	7,022	162,406
		<u>162,406</u>
NET CASH (USED) BY OPERATING ACTIVITIES		<u><u>\$ (391,241)</u></u>

See the accompanying notes to the financial statements.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

NOTE A - DESCRIPTION OF ORGANIZATION

Roane County Emergency Communications District (the District) was established January 1, 1991, pursuant to the provisions of Chapter 867 of the Public Acts of 1984 of the State of Tennessee. The District is responsible for the installation and maintenance of the emergency communications network of Roane County, Tennessee (Enhanced 911 Service).

The District is considered a component unit of Roane County, Tennessee because the Roane County Board of Commissioners appoints all of the District's Board of Directors and must approve any debt issued by the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

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

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

Net investment in capital assets: This category includes capital assets, net of accumulated depreciation and the related debt. Net investment in capital assets at June 30, 2014 has been calculated as follows:

Capital assets	\$ 1,983,559
Accumulated depreciation	(1,154,816)
Principal balance on long-term debt	<u>(42,417)</u>
	<u>\$ 786,326</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. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed. The District had no restricted net position as of June 30, 2014.

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

Accounts Receivable

Accounts receivable that are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2014 no allowance for uncollectible accounts was considered necessary.

Capital Assets

Capital assets, which include property and equipment, are recorded at cost. Capital assets are defined by the District as assets with an initial, individual cost of \$1,500 or more. Depreciation is computed using the straight-line method over the estimated useful lives, which range from five to forty years.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

Operating Budget

The District is required by state law to adopt an annual operating budget. The Board of Directors approves the original budget and any amendments, and maintains the legal level of control at the line item level. The budget is prepared on the accrual basis of accounting. All appropriations lapse at the end of the year.

Compensated Absences

The District's full-time employees are granted vacation leave in varying amounts. In the event of termination, the employee is paid for any unused vacation leave. Unused vacation leave as of June 30, 2014 in the amount of \$11,497 is included as a liability in the statement of net position.

NOTE C - CASH

Cash and the certificate of deposit represent money on deposit in various banks. The District considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents.

State of Tennessee law authorizes the District to invest in obligations of the United States of America or its agencies, nonconvertible 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.

All of the District's cash and cash equivalent balances at June 30, 2014 were either insured through the Federal Deposit Insurance Corporation or through the State of Tennessee Bank Collateral Pool.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

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 not being depreciated</u>				
Land	\$ 30,056	\$ 0	\$ 0	\$ 30,056
<u>Capital assets being depreciated</u>				
Buildings and improvements	400,256	6,627	0	406,883
Furniture and equipment	0	47,019	0	47,019
Office equipment	76,245	0	(25,310)	50,935
Communications equipment	1,172,741	220,025	(138,905)	1,253,860
Vehicle	23,921	0	0	23,921
Mapping system	<u>170,884</u>	<u>0</u>	<u>0</u>	<u>170,884</u>
	1,844,047	273,671	(164,215)	1,953,502
<u>Accumulated depreciation</u>				
Buildings and improvements	(182,677)	(9,335)	0	(192,012)
Furniture and equipment	0	(4,045)	0	(4,045)
Office equipment	(68,106)	(1,748)	22,026	(47,827)
Communications equipment	(719,055)	(68,985)	61,150	(726,891)
Vehicle	(8,372)	(4,784)	0	(13,156)
Mapping system	<u>(170,884)</u>	<u>0</u>	<u>0</u>	<u>(170,884)</u>
	<u>(1,149,094)</u>	<u>(88,897)</u>	<u>83,176</u>	<u>(1,154,816)</u>
	<u>\$ 725,009</u>	<u>\$ 184,774</u>	<u>\$ 81,039</u>	<u>\$ 828,743</u>

As described in Note H, accumulated depreciation as of June 30, 2013 has been restated to correct an error in computation.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

NOTE E - NOTE PAYABLE

Note payable, due in annual installments of \$44,634 on July 1 of each year, 5.21% per annum; balance due in full on July 1, 2015, secured by equipment.	\$ 42,417
Less current maturities	<u>0</u>
	<u>\$ 42,417</u>

Future maturities of long-term debt as of June 30, 2014 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	<u>\$ 42,417</u>	<u>\$ 2,217</u>	<u>\$ 44,634</u>

Changes in long-term debt for the year ended June 30, 2014 were as follows:

	<u>Balance 7/1/13</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance 6/30/14</u>	<u>Amounts Due Within One Year</u>
Note payable	<u>\$ 82,858</u>	<u>\$ 0</u>	<u>\$ 40,441</u>	<u>\$ 42,417</u>	<u>\$ 0</u>

Interest cost incurred for the year ended June 30, 2014 was \$4,324 all of which was charged to interest expense.

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.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

NOTE G - 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.

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 6.20% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

Annual Pension Cost

For the year ended June 30, 2014, the District's annual pension cost of \$35,760 to the TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include: (a) a rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually.

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

Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost(APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
6/30/14	\$ 35,760	100.00%	\$ 0
6/30/13	35,860	100.00	0
6/30/12	33,989	100.00	0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 95.67% funded. The actuarial accrued liability (AAL) for benefits was \$0.98 million, and the actuarial value of assets was \$0.94 million, resulting in a UAAL of \$0.04 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.56 million, and the ratio of the UAAL to the covered payroll was 7.66%.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2014

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

Actuarial valuation date	7/1/13	7/1/11	7/1/09
Actuarial value of plan assets	\$ 941,000	\$ 729,000	\$ 507,000
Actuarial accrued liability (AAL)	983,000	784,000	512,000
Unfunded AAL (UAAL)	43,000	55,000	5,000
Funded ratio	95.67%	93.04%	99.08%
Covered payroll	556,000	477,000	582,000
UAAL as a percentage of covered payroll	7.66%	11.45%	0.81%

NOTE H - RESTATEMENT

Net position of the District at the beginning of the year has been restated to correct accumulated depreciation as of June 30, 2013.

	<u>2013 Previously Presented</u>	<u>Restatement</u>	<u>2013 Restated</u>
Statement of net position:			
Accumulated depreciation	\$ 1,043,168	\$ 105,926	\$ 1,149,094
Net position, June 30, 2013	1,373,343	(105,926)	1,267,417
Statement of revenue, expenses and change in net position:			
Net position, July 1, 2012	1,189,501	(79,444)	1,110,057
Depreciation expense	53,796	26,482	80,278
Change in net position	183,842	(26,482)	157,360
Net position, June 30, 2013	1,373,343	(105,926)	1,267,417

REQUIRED SUPPLEMENTARY INFORMATION

ROANE 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	\$ 941,000	\$ 729,000	\$ 507,000
Actuarial accrued liability (AAL)	983,000	784,000	512,000
Unfunded AAL (UAAL)	43,000	55,000	5,000
Funded ratio	95.67%	93.04%	99.08%
Covered payroll	556,000	477,000	582,000
UAAL as a percentage of covered payroll	7.66%	11.45%	0.81%

See the accompanying independent accountants' audit report.

OTHER SUPPLEMENTARY INFORMATION

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

Year Ended June 30, 2014

	Actual	Budget	Variance Over (Under)
OPERATING REVENUE			
Emergency telephone service charges	\$ 225,991	\$ 228,583	\$ (2,592)
TECB - shared wireless charge	130,944	129,633	1,311
TECB - operational funding program	271,780	214,916	56,864
Other operating revenue	4,969	59,832	(54,863)
TOTAL OPERATING REVENUE	633,684	632,964	720
OPERATING EXPENSES			
Salaries and wages:			
Director	56,953	60,394	(3,441)
Administrative personnel	61,397	63,725	(2,328)
Dispatchers	432,420	446,410	(13,990)
Other salaries and wages	71,785	76,630	(4,845)
	622,555	647,159	(24,604)
Employee benefits:			
Retirement	35,760	35,700	60
Medical insurance	115,730	115,800	(70)
Life insurance	1,084	1,089	(5)
Unemployment	2,181	2,461	(280)
Social security	37,814	40,096	(2,282)
Medicare	8,844	9,377	(533)
	201,413	204,523	(3,110)
Contracted services:			
Audit services	7,100	7,100	0
Accounting services	3,870	4,040	(170)
Legal services	7,906	7,250	656
Maintenance agreements	66,010	39,230	26,780
Janitorial services	3,715	4,153	(438)
NCIC/TBI/TIES	2,987	4,240	(1,253)
Lease/Rental-repeater site	84	90	(6)

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2014

	Actual	Budget	Variance Over (Under)
Contracted services(continued):			
Maintenance and repairs-buildings and facilities	22,999	29,000	(6,001)
Maintenance and repairs- communications equipment	20,242	27,267	(7,025)
Maintenance and repairs-mobile communications equipment	3,500	9,756	(6,256)
Maintenance and repairs-vehicle	740	800	(60)
Fuel-vehicles	2,628	2,800	(172)
	141,781	135,726	6,055
Supplies and materials:			
Custodial supplies	825	1,000	(175)
Data processing supplies	579	600	(21)
Office supplies	957	1,200	(243)
Postage	694	680	14
Small equipment purchases	18,944	4,100	14,844
Utilities-electric	14,747	17,575	(2,828)
Utilities-gas	1,450	1,495	(45)
Utilities-water and sewer	2,251	2,420	(169)
Utilities-cell phones and pagers	1,597	1,720	(123)
Utilities-general telephone	47,307	53,000	(5,693)
	89,351	83,790	5,561
Other charges:			
Dues and subscriptions	1,935	3,535	(1,600)
Insurance-liability	22,249	23,000	(751)
Insurance-workers' compensation	2,393	2,700	(308)
Training	999	1,100	(101)
Travel	3,462	3,740	(278)

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2014

	Actual	Budget	Variance Over (Under)
Other charges(continued):			
Internet charges	1,643	1,750	(107)
Premiums on surety bonds	1,070	1,750	(680)
Miscellaneous	9,583	10,840	(1,257)
	43,333	48,415	(5,082)
Depreciation	88,897	53,575	35,322
TOTAL OPERATING EXPENSES	1,187,331	1,173,188	14,143
(LOSS) FROM OPERATIONS	(553,647)	(540,224)	13,423
NONOPERATING REVENUE(EXPENSE)			
Contributions from other governments	523,782	524,222	(440)
Loss on disposal of equipment	(81,039)	0	(81,039)
Interest income	103	104	(1)
Interest expense	(4,324)	(5,000)	676
	438,522	519,326	(80,804)
CAPITAL CONTRIBUTIONS			
Capital contributions from TECB	349,341	26,478	322,863
CHANGE IN NET POSITION	234,216	5,580	(94,227)
NET POSITION AT THE BEGINNING OF THE YEAR, as restated	1,267,417	1,267,417	0
NET POSITION AT THE END OF THE YEAR	<u>\$ 1,501,633</u>	<u>\$ 1,272,997</u>	<u>\$ (94,227)</u>

See the accompanying independent accountants' audit report.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

BOARD OF DIRECTORS

June 30, 2014

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

See the accompanying independent accountants' audit report.

INTERNAL CONTROL

AND

COMPLIANCE

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Roane County Emergency Communications District
Rockwood, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Roane County Emergency Communications District, which comprise the statement of net position as of June 30, 2014 and the related statement of revenue, expenses and change in net position and statement of cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated January 6, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Roane County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management of Roane County Emergency Communications District in a separate letter dated January 6, 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 Roane County Emergency Communications District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Roane County Emergency Communications District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mitchell Emert & Hill

January 6, 2015

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

There were no prior year findings reported.