

Financial Statements

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

Year Ended June 30, 2015

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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, 2015 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, 2015 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.

Emphasis of Matter

As discussed in Note H to the financial statements, Roane County Emergency Communications District has restated its net position as of June 30, 2014 to implement Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

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, the schedule of changes in net pension liability(asset) on page 24 and the schedule of pension contributions on page 25 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 Supplementary 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 21, 2016 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 21, 2016

**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, 2015. 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>2015</u>	<u>2014</u>
NET POSITION		
Current assets	\$ 875,860	\$ 743,456
Capital assets, net of accumulated depreciation	734,423	828,743
Other assets	184,173	0
Deferred outflow of resources	<u>31,985</u>	<u>0</u>
	<u>\$ 1,826,441</u>	<u>\$ 1,572,199</u>
Current liabilities	\$ 34,709	\$ 70,565
Deferred inflow of resources	109,254	0
Net position:		
Net investment in capital assets	734,423	786,326
Unrestricted	<u>948,055</u>	<u>715,307</u>
	<u>1,682,478</u>	<u>1,501,633</u>
	<u>\$ 1,826,441</u>	<u>\$ 1,572,199</u>

CHANGE IN NET POSITION

Operating revenue	\$ 646,804	\$ 633,684
Operating expenses	<u>1,106,496</u>	<u>1,187,331</u>
(Loss) from operations	(459,692)	(553,647)
Net non-operating revenue(expense)	<u>582,706</u>	<u>787,863</u>
Change in net position	123,014	234,216
Beginning net position	1,501,633	1,267,417
Prior period adjustment	<u>57,831</u>	<u>0</u>
Ending net position	<u>\$ 1,682,478</u>	<u>\$ 1,501,633</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District completed the year ended June 30, 2015 with net position of \$1,682,478, which is \$123,014 more than last year's ending net position of \$1,501,633 (prior to restatement); an increase of 8% compared to last year. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by \$174,917 or 23% during the year ended June 30, 2015. The difference in the current year's change in net position compared to last year's change in net position was due primarily to decreased capital contributions from TECB.

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

	<u>2015</u>	<u>2014</u>
Emergency telephone service charges	\$ 98,712	\$ 225,991
TECB - shared wireless charge	47,883	130,944
TECB - operational funding	149,301	271,780
TECB - base amount distributions	332,259	0
Contributions from other governments	582,931	523,782

CAPITAL ASSETS

At June 30, 2015 the District had investment in capital assets of \$734,423; a decrease of \$51,903 or 7% compared to the prior year. This change was a result of the purchase of capital assets totaling \$5,180, a decrease in outstanding debt of \$42,417 and an increase in accumulated depreciation of \$99,500. 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. Total actual operating revenue did not exceed total budgeted operating revenue and total actual operating expenses did not exceed total budgeted operating expenses.

ECONOMIC FACTORS AND FUTURE NEEDS

The main economic factor facing the District is the change in funding from the TECB. Beginning in January 2015, TECB began collecting all amounts due to the emergency communication districts and sending each district a check every two months for one sixth of their predetermined base amount. TECB will also no longer be distributing grants to emergency communications districts. This could result in decreased revenue compared to prior years.

DEBT

The District obtained loans totaling \$420,429 for the purchase of communications equipment during the year ended June 30, 2009. Principal payments in the amount of \$42,417 were made during the year ended June 30, 2015 (\$40,441 during the year ended June 30, 2014), leaving no balance due at June 30, 2015.

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, 2015

CURRENT ASSETS

Cash		\$ 801,611
Certificate of deposit		60,517
Prepaid expenses		4,854
Prepaid insurance		8,878
		<hr/>

TOTAL CURRENT ASSETS

875,860

CAPITAL ASSETS

Land	\$ 30,056	
Buildings and improvements	406,883	
Furniture and fixtures	47,019	
Office equipment	53,023	
Communication equipment	1,256,952	
Vehicle	23,921	
Mapping system	170,884	
	<hr/>	
	1,988,739	
Accumulated depreciation	(1,254,315)	734,423

OTHER ASSETS

Net pension asset	183,108	
Utility deposits	1,065	184,173
	<hr/>	

DEFERRED OUTFLOW OF RESOURCES

Deferred outflow related to pension		<hr/>
		31,985
		<hr/>
		<u>\$ 1,826,441</u>

See the accompanying notes to the financial statements.

CURRENT LIABILITIES

Accounts payable	\$	8,308	
Payroll taxes payable		442	
Accrued salaries payable		14,462	
Accrued compensated absences		<u>11,497</u>	

TOTAL CURRENT LIABILITIES 34,709

DEFERRED INFLOW OF RESOURCES

Deferred inflow related to pension			109,254
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NET POSITION

Investment in capital assets	\$	734,423	
Unrestricted		<u>948,055</u>	<u>1,682,478</u>

\$ 1,826,441

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

Year Ended June 30, 2015

OPERATING REVENUE

Emergency telephone service charges	\$	98,712
TECB - shared wireless charge		47,883
TECB - operational funding program		149,301
TECB - base amount distributions		332,259
Other operating revenue		<u>18,648</u>

TOTAL OPERATING REVENUE 646,804

OPERATING EXPENSES

Salaries and wages:		
Director	\$	58,087
Administrative personnel		62,620
Dispatchers		426,288
Other salaries and wages		<u>73,807</u>
		620,802

Employee benefits:		
Medical insurance		113,765
Life insurance		1,093
Unemployment		1,958
Social security		38,410
Medicare		<u>8,983</u>
		164,210

Contracted services:		
Audit services		7,400
Accounting services		3,840
Maintenance agreements		36,712
Janitorial services		3,695
NCIC/TBI/TIES		2,240
Lease/Rental-repeater site		335
Maintenance and repairs - buildings and facilities		3,389
Maintenance and repairs - communications equipment		27,293
Maintenance and repairs - mobile communications equipment		9,122
Maintenance and repairs - vehicle		2,130
Fuel-vehicles		<u>2,446</u>
		98,603

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

(continued)

Year Ended June 30, 2015

Supplies and materials:		
Custodial supplies	1,293	
Data processing supplies	428	
Office supplies	1,010	
Postage	687	
Small equipment purchases	2,681	
Utilities - electric	14,857	
Utilities - gas	1,505	
Utilities - water and sewer	2,699	
Utilities - cell phones and pager	1,446	
Utilities - general telephone	<u>58,684</u>	85,289
Other charges:		
Dues and memberships	2,703	
Insurance - liability	21,316	
Insurance - workers' compensation	1,474	
Training	2,500	
Travel	4,964	
Internet charges	1,958	
Premiums on surety bonds	1,542	
Miscellaneous	<u>1,637</u>	38,093
Depreciation		<u>99,500</u>
TOTAL OPERATING EXPENSES		<u>1,106,496</u>
(LOSS) FROM OPERATIONS		(459,692)

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION

(continued)

Year Ended June 30, 2015

NONOPERATING REVENUE(EXPENSE)

Contributions from primary government	348,609	
Contributions from other governments	234,322	
Interest income	2,124	
Interest expense	<u>(2,348)</u>	<u>582,706</u>

CHANGE IN NET POSITION 123,014

**NET POSITION AT THE BEGINNING
OF THE YEAR, as restated**

1,559,464

NET POSITION AT THE END OF THE YEAR

\$ 1,682,478

See the accompanying notes to the financial statements.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

CASH PROVIDED(USED) BY OPERATING ACTIVITIES

Cash received from telephone charges	\$ 671,341
Cash paid to suppliers	(255,101)
Cash paid to employees	<u>(784,849)</u>

NET CASH (USED) BY OPERATING ACTIVITIES (368,609)

**CASH PROVIDED(USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES**

Acquisition of equipment	\$ (5,180)
Principal payments on long-term debt	(42,417)
Interest paid	<u>(2,348)</u>

**NET CASH (USED) BY CAPITAL AND
RELATED FINANCING ACTIVITIES** (49,945)

**CASH PROVIDED(USED) BY NONCAPITAL AND
RELATED FINANCING ACTIVITIES**

Contributions from other governments	582,931
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CASH PROVIDED(USED) BY INVESTING ACTIVITIES

Increase in certificates of deposits	(2,018)
Interest received	<u>2,124</u>

NET CASH PROVIDED BY INVESTING ACTIVITIES 106

NET INCREASE IN CASH 164,482

CASH AT THE BEGINNING OF THE YEAR 637,128

CASH AT THE END OF THE YEAR \$ 801,611

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF CASH FLOWS

(continued)

Year Ended June 30, 2015

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

(Loss) from operations		\$ (459,692)
Adjustments to reconcile (loss) from operations to net cash (used) by operating activities		
Depreciation	\$ 99,500	
Pension income	(16,023)	
(Increase)decrease in:		
Accounts receivable	18,401	
Due from TECB	22,160	
Prepaid expenses	(2,617)	
Deferred outflow related to pension	(31,985)	
Prepaid insurance	(4,912)	
Increase in:		
Accounts payable	6,398	
Payroll taxes payable	163	91,083
		<u>91,083</u>
NET CASH (USED) BY OPERATING ACTIVITIES		<u>\$ (368,609)</u>

See the accompanying notes to the financial statements.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

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:

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.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Investment in capital assets: This category includes capital assets, net of accumulated depreciation and the related debt. Investment in capital assets at June 30, 2015 has been calculated as follows:

Capital assets	\$ 1,988,739
Accumulated depreciation	<u>(1,254,315)</u>
	<u>\$ 734,423</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, 2015.

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.

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.

Accounts Receivable

Accounts receivable that are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2015 no allowance for uncollectible accounts was considered necessary.

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, 2015 in the amount of \$11,497 is included as a liability in the statement of net position.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

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, 2015 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, 2015

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>7/1/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/15</u>
<u>Capital assets not being depreciated</u>				
Land	\$ 30,056	\$ 0	\$ 0	\$ 30,056
<u>Capital assets being depreciated</u>				
Buildings and improvements	406,883	0	0	406,883
Furniture and equipment	47,019	0	0	47,019
Office equipment	50,935	2,088	0	53,023
Communications equipment	1,253,860	3,092	0	1,256,952
Vehicle	23,921	0	0	23,921
Mapping system	<u>170,884</u>	<u>0</u>	<u>0</u>	<u>170,884</u>
	1,953,502	5,180	0	1,958,682
<u>Accumulated depreciation</u>				
Buildings and improvements	(192,012)	(9,364)	0	(201,376)
Furniture and equipment	(4,045)	(4,702)	0	(8,747)
Office equipment	(47,827)	(532)	0	(48,359)
Communications equipment	(726,891)	(80,118)	0	(807,007)
Vehicle	(13,156)	(4,784)	0	(17,941)
Mapping system	<u>(170,884)</u>	<u>0</u>	<u>0</u>	<u>(170,884)</u>
	<u>(1,154,816)</u>	<u>(99,500)</u>	<u>0</u>	<u>(1,254,315)</u>
	<u>\$ 828,743</u>	<u>\$ (94,320)</u>	<u>\$ 0</u>	<u>\$ 734,423</u>

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

NOTE E - NOTE PAYABLE

Changes in long-term debt for the year ended June 30, 2015 were as follows:

	<u>Balance</u> <u>7/1/14</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/15</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Note payable	\$ <u>42,417</u>	\$ <u>0</u>	\$ <u>42,417</u>	\$ <u>0</u>	\$ <u>0</u>

Interest cost incurred for the year ended June 30, 2015 was \$2,348 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, 2015

NOTE G - PENSION PLAN

Plan Description

Employees of the District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than .5%. A 1% COLA is granted if the CPI change is between .5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Employees Covered by Benefit Terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	12
Active employee	<u>16</u>
	<u>32</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The District makes employer contributions at the rate set by the tcrs Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the District were \$31,985 based on a rate of 5.62%. By law, employer contributions are required to be paid. The TCRS may intercept the District's state shared taxes if required contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The District's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of assets classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of 3%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term equities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5% based on a blending of the three factors described above.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Changes for the year ended June 30, 2014:			
Increase(decrease)			
Service cost	\$ 37,701		\$ 37,701
Interest	73,200		73,200
Differences between expected and actual experience	(42,272)		(42,272)
Contributions - employer		\$ 35,760	(35,760)
Contributions - employees		28,839	(28,839)
Net investment income		165,702	(165,702)
Benefit payments, including refunds of employee contributions	(14,857)	(14,857)	
Administrative expense		(635)	635
	<u> </u>	<u> </u>	<u> </u>
Net changes for the year ended June 30, 2014	53,772	214,809	(161,037)
Balance at June 30, 2013	<u>945,728</u>	<u>967,799</u>	<u>(22,071)</u>
Balance at June 30, 2014	<u>\$ 999,500</u>	<u>\$ 1,182,608</u>	<u>\$ (183,108)</u>

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the District calculated using the discount rate of 7.5%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net pension liability(asset)	\$ (6,556)	\$ (183,108)	\$ (322,112)

Pension Income

For the year ended June 30, 2015, the District recognized in the government-wide statement of activities pension income in the amount of \$16,023.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 36,233
Net difference between projected and actual earnings on pension plan investments	0	73,021
Contributions subsequent to the measurement date of June 30, 2014	31,985	not applicable
Totals	\$ 31,985	\$ 109,254

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction (expense) to net pension liability (asset) in the following measurement period.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2015

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:

2016	\$ (24,294)
2017	(24,294)
2018	(24,294)
2019	(24,294)
2020	(6,039)
Thereafter	(6,039)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

NOTE H – RESTATEMENT

During the year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as an asset or liability and to more comprehensively and comparably measure the annual costs of pension benefits. Net position as of June 30, 2014 has been restated for the implementation of GASB Statement No. 68. As a result, the effect on the year ended June 30, 2014 was as follows:

Balance at June 30, 2014, as originally reported	\$ 1,501,633
Net pension liability, measurement date as of June 30, 2014	22,071
Deferred outflows for contributions made during the year ended June 30, 2014	<u>35,760</u>
Balance at June 30, 2014, restated	<u>\$ 1,559,464</u>

REQUIRED SUPPLEMENTARY INFORMATION

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

CHANGES IN NET PENSION LIABILITY(ASSET)

June 30, 2015

	Measurement Date at <u>June 30, 2014</u>
<u>Total pension liability</u>	<u>\$</u>
Service cost	37,701
Interest	73,200
Change in benefit terms	0
Differences between actual and expected experience	(42,272)
Change of assumptions	0
Benefit payments, including refunds of employee contributions	<u>(14,857)</u>
Net change in total pension liability	53,772
Total pension liability-beginning July 1, 2013	<u>945,728</u>
Total pension liability-ending June 30, 2014 (a)	999,500
<u>Plan fiduciary net position</u>	
Contributions-employer	35,760
Contributions-employee	28,839
Net investment income	165,702
Benefit payments, including refunds of employee contributions	(14,857)
Administrative expense	<u>(635)</u>
Net change in plan fiduciary net position	214,809
Plan fiduciary net position-beginning July 1, 2013	<u>967,799</u>
Plan fiduciary net position-ending June 30, 2014 (b)	<u>1,182,608</u>
Net pension liability (asset)-ending (a)-(b)	<u>\$ (183,108)</u>
Plan fiduciary net position as a percentage of total net pension liability	118.32%
Covered employee payroll	\$ 576,775
Net pension liability(asset) as a percentage of covered employee payroll	31.75%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See the accompanying independent accountants' audit report.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

PENSION CONTRIBUTIONS

June 30, 2015

	2015	2014
Actuarially determined contribution	\$ 31,985	\$ 35,760
Contributions in relation to the actuarially determined contribution	(31,985)	(35,760)
Contribution deficiency(excess)	\$ 0	\$ 0
Covered employee payroll	\$ 569,123	\$ 576,775
Contributions as a percentage of covered employee payroll	5.62%	6.20%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future fiscal years until 10 years of information is available.

Notes to Pension Contributions

Valuation Date: Actuarially determined contributions rates for the year ended June 30, 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determined contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	3 years
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	3.00%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.50%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.50%

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, 2015

	Actual	Budget	Variance Over (Under)
OPERATING REVENUE			
Emergency telephone service charges	\$ 98,712	\$ 114,292	\$ (15,580)
TECB - shared wireless charge	47,883	64,817	(16,934)
TECB - operational funding program	149,301	152,575	(3,274)
TECB - base amount distributions	332,259	332,000	259
Other operating revenue	18,648	3,220	15,428
TOTAL OPERATING REVENUE	646,804	666,904	(20,100)
OPERATING EXPENSES			
Salaries and wages:			
Director	58,087	62,233	(4,146)
Administrative personnel	62,620	65,489	(2,869)
Dispatchers	426,288	468,210	(41,922)
Other salaries and wages	73,807	80,776	(6,969)
	620,802	676,708	(55,906)
Employee benefits:			
Retirement	0	37,248	(37,248)
Medical insurance	113,765	132,068	(18,303)
Life insurance	1,093	1,199	(106)
Unemployment	1,958	2,505	(547)
Social security	38,410	42,518	(4,108)
Medicare	8,983	9,944	(961)
	164,210	225,482	(61,272)
Contracted services:			
Audit services	7,400	7,400	0
Accounting services	3,840	4,040	(200)
Legal services	0	7,300	(7,300)
Maintenance agreements	36,712	41,735	(5,023)
Janitorial services	3,695	4,050	(355)
NCIC/TBI/TIES	2,240	4,240	(2,000)
Lease/Rental-repeater site	335	340	(5)

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2015

	Actual	Budget	Variance Over (Under)
Contracted services(continued):			
Maintenance and repairs-buildings and facilities	3,389	8,400	(5,011)
Maintenance and repairs- communications equipment	27,293	29,105	(1,812)
Maintenance and repairs-mobile communications equipment	9,122	9,952	(830)
Maintenance and repairs-vehicle	2,130	2,135	(5)
Fuel-vehicles	2,446	2,700	(254)
	98,603	121,397	(22,794)
Supplies and materials:			
Custodial supplies	1,293	1,300	(7)
Data processing supplies	428	600	(172)
Office supplies	1,010	1,350	(340)
Postage	687	710	(23)
Small equipment purchases	2,681	2,700	(19)
Utilities-electric	14,857	17,130	(2,273)
Utilities-gas	1,505	1,725	(220)
Utilities-water and sewer	2,699	2,878	(179)
Utilities-cell phones and pagers	1,446	1,600	(154)
Utilities-general telephone	58,684	55,621	3,063
	85,289	85,614	(325)
Other charges:			
Dues and subscriptions	2,703	2,731	(28)
Insurance-liability	21,316	25,903	(4,587)
Insurance-workers' compensation	1,474	4,190	(2,716)
Training	2,500	2,510	(10)
Travel	4,964	5,412	(448)

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

STATEMENT OF REVENUE AND EXPENSES - ACTUAL AND BUDGET

(continued)

Year Ended June 30, 2015

	Actual	Budget	Variance Over (Under)
Other charges(continued):			
Internet charges	1,958	1,975	(17)
Premiums on surety bonds	1,542	1,750	(208)
Miscellaneous	1,637	2,787	(1,150)
	38,093	47,258	(9,165)
Depreciation	99,500	64,415	35,085
TOTAL OPERATING EXPENSES	1,106,496	1,220,874	(114,378)
(LOSS) FROM OPERATIONS	(459,692)	(553,970)	94,278
NONOPERATING REVENUE(EXPENSE)			
Contributions from primary government	348,609	348,609	0
Contributions from other governments	234,322	233,932	390
Interest income	2,124	103	2,021
Interest expense	(2,348)	(5,000)	(2,652)
	582,706	577,644	5,062
CHANGE IN NET POSITION	123,014	23,674	99,340
NET POSITION AT THE BEGINNING OF THE YEAR, as restated	1,559,464	1,559,464	0
NET POSITION AT THE END OF THE YEAR	<u>\$ 1,682,478</u>	<u>\$ 1,583,138</u>	<u>\$ 99,340</u>

See the accompanying independent accountants' audit report.

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

BOARD OF DIRECTORS

June 30, 2015

Donnie Eblen
Arvel McNelly
Randy Heidle
John Harvey
Marilyn Calfee
Tony Brown
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, 2015 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 21, 2016.

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 21, 2016.

Purpose of this Report

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

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

January 21, 2016

ROANE COUNTY EMERGENCY
COMMUNICATIONS DISTRICT

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

There were no prior year findings reported.