

**GRAINGER COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

RUTLEDGE, TENNESSEE

**ANNUAL FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended June 30, 2014

and

INDEPENDENT AUDITOR'S REPORT

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

ANNUAL FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2014

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GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF BOARD OF DIRECTORS

June 30, 2014

Members of the Board of Directors are as follows:

Jeff Atkins	Chairman
Woody Roach	Vice Chairman
Martha Ann Cameron	Secretary
Gary Wayne Dalton	Member
Sarah Fennell	Member
James Harville	Member
Dr. Mark Holland	Member
Mike Holt	Member
Bradley Spoone	Member

BROWN JAKE & McDANIEL, PC

CERTIFIED PUBLIC ACCOUNTANTS
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JOE L. BROWN, CPA, CGFM, CGMA
FRANK D. McDANIEL, CPA, CGFM, CGMA
TERRY L. MOATS, CPA, CGFM, CGMA
JAMES E. BOOHER, CPA, CGMA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
Grainger County Emergency
Communications District
Rutledge, Tennessee

Report on the Financial Statements

We have audited the accompanying statement of net position of Grainger County Emergency Communications District (the "District"), a component unit of Grainger County, Tennessee, as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2014, and the respective changes in financial position and 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 the management's discussion and analysis on pages 5 - 7 and the schedule of funding progress on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014 on our consideration of the District's internal control

over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bronckhage & McDaniel, PC

Knoxville, Tennessee
November 7, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2014

The financial statements of Grainger County Emergency Communications District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements of the District report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about their activities.

The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Change in Net Position. The 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 its fees, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The 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.

Table 1

Condensed Statement of Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>	<u>%</u>
Current and other assets	\$ 706,879	\$ 674,397	\$ 32,482	4.82%
Capital assets	<u>378,183</u>	<u>287,321</u>	<u>90,862</u>	31.62%
Total assets	<u>\$ 1,085,062</u>	<u>\$ 961,718</u>	<u>\$ 123,344</u>	12.83%
Long-term liabilities	\$ -	\$ -	\$ -	- %
Current liabilities	<u>13,063</u>	<u>113,627</u>	<u>(100,564)</u>	-88.50%
Total liabilities	<u>\$ 13,063</u>	<u>\$ 113,627</u>	<u>\$ (100,564)</u>	-88.50%
Investment in capital assets	\$ 378,183	\$ 287,321	\$ 90,862	31.62%
Unrestricted	<u>693,816</u>	<u>560,770</u>	<u>133,046</u>	23.73%
Total net position	<u>\$ 1,071,999</u>	<u>\$ 848,091</u>	<u>\$ 223,908</u>	26.40%

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

One way to measure financial health of a company is to look at its increases or decreases in net position over time. Increases in net position, in general, are signs that a company's financial health is improving. Decreases may indicate that its financial health is deteriorating. However, you will need to also consider non-financial factors such as economic conditions, service growth, and legislative mandates.

The District's total net position increased by \$223,908 from last year.

Table 2

Statement of Revenues, Expenses and Change in Net Position

	For the Year Ended June 30, 2014	For the Year Ended June 30, 2013	Increase (Decrease)	%
Operating revenue	\$ 305,883	\$ 327,736	\$ (21,853)	-6.67%
Non-operating revenue	352,766	450,793	(98,027)	-21.75%
Total revenues	<u>658,649</u>	<u>778,529</u>	<u>(119,880)</u>	-15.40%
Salaries and wages	361,664	352,289	9,375	2.66%
Employee benefits	71,467	80,112	(8,645)	-10.79%
Contracted services	87,326	145,591	(58,265)	-40.02%
Supplies and materials	14,448	15,349	(901)	-5.87%
Depreciation expense	86,650	47,318	39,332	83.12%
Other charges	31,041	26,221	4,820	18.38%
Total expenses	<u>652,596</u>	<u>666,880</u>	<u>(14,284)</u>	-2.14%
Income before capital grants	6,053	111,649	(105,596)	-94.58%
Capital grants	<u>217,855</u>	<u>142,385</u>	<u>75,470</u>	53.00%
Change in net position	223,908	254,034	(30,126)	-11.86%
Beginning net position	<u>848,091</u>	<u>594,057</u>	<u>254,034</u>	42.76%
Ending net position	<u>\$ 1,071,999</u>	<u>\$ 848,091</u>	<u>\$ 223,908</u>	26.40%

As can be seen in Table 2, the change in net position (formerly known as "net income") decreased from the prior year by \$30,126. This decrease resulted from decreased non-operational funding and capital grant contributions from the Tennessee Emergency Communications Board and expenses decreased by approximately 2%.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Table 3

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>
Capital assets, net	\$ 378,183	\$ 287,321	\$ 90,862

This year's capital additions include:

Communication equipment	\$ 138,198
Furniture and fixtures	628
Office equipment	9,321
Vehicles	<u>29,501</u>
 Total additions	 \$ <u>177,648</u>

The District plans to have additional capital outlays in 2015 for control and communication equipment to be funded through the Tennessee Emergency Communications Board.

At June 30, 2014, the District had no outstanding long-term debt and no plans to issue debt in the near future.

There were no significant variations from fiscal year 2014 budgeted operational expenditures and fiscal year 2014 actual operational expenditures. Fiscal year 2015 budget, approved June 17, 2014, contains no significant operational increases or decreases from fiscal year 2014.

This financial report is designed to provide the public and creditors with an overview of the finances of the District and to demonstrate accountability for the money received. If there are questions, comments, or requests for additional information pertaining to this report, please contact:

Mr. Randy Holt, Director
Grainger County Emergency Communications District
270 Justice Center Drive, Suite 103
Rutledge, TN 37861

Phone (865) 828-3311

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2014

ASSETS

Current assets:	
Cash and cash equivalents	\$ 552,930
Accounts receivable	
Customers	18,456
State of Tennessee - operating distributions	<u>33,632</u>
Total current assets	<u>605,018</u>
Segregated assets:	
Investments - certificate of deposit	<u>101,861</u>
Capital assets:	
Capital assets, net of accumulated depreciation totaling \$114,383	<u>378,183</u>
Total assets	<u>\$1,085,062</u>

LIABILITIES AND NET POSITION

Current liabilities:	
Accrued employee leave	\$ 10,844
Other current liabilities	<u>2,219</u>
Total liabilities	<u>13,063</u>
Net position:	
Investment in capital assets	378,183
Unrestricted	<u>693,816</u>
Total net position	<u>1,071,999</u>
Total liabilities and net position	<u>\$1,085,062</u>

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

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the Fiscal Year Ended June 30, 2014

Operating revenue:	
Emergency telephone surcharges	\$ 104,989
State shared wireless charge	58,034
State of Tennessee operational funding	<u>142,860</u>
	<u>305,883</u>
Operating expenses:	
Salaries and wages	361,664
Employee benefits	71,467
Contracted services	87,326
Supplies and materials	14,448
Other charges	<u>31,041</u>
	<u>565,946</u>
Operating margin (loss) before depreciation	(260,063)
Depreciation expense	<u>86,650</u>
Operating margin (loss)	<u>(346,713)</u>
Non-operating revenue (expense):	
Interest income	2,318
Contribution - primary government	212,500
Contributions - municipalities	40,250
State Emergency Board - grants and reimbursements	95,097
Loss on disposal of fixed assets	(136)
Miscellaneous income	<u>2,737</u>
	<u>352,766</u>
Income before capital grants	6,053
Capital grants - State of Tennessee	<u>217,855</u>
Change in net position	223,908
Net position, beginning of the year	<u>848,091</u>
Net position, end of the year	<u>\$ 1,071,999</u>

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

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2014

Cash flows from operating activities:	
Cash received from service fees and other operating revenues	\$ 301,521
Miscellaneous income	2,737
Cash paid to suppliers for goods and services	(203,547)
Cash paid to employees for services provided	<u>(359,194)</u>
Net cash used by operating activities	<u>(258,483)</u>
Cash flows from noncapital financing activities:	
Cash received from municipal governments	40,250
State Emergency Board - grants and reimbursements	95,097
Contribution from primary government	<u>212,500</u>
Net cash provided by noncapital financing activities	<u>347,847</u>
Cash flows from capital and related financing activities:	
Leasehold and office equipment additions, net of disposals	(177,648)
Capital contributions - State Emergency Board	<u>114,087</u>
Net cash used by capital and related financing activities	<u>(63,561)</u>
Cash flows from investing activities:	
Interest income	2,318
Proceeds from maturities of investments	100,902
Purchases of investments	<u>(101,861)</u>
Net cash provided by investing activities	<u>1,359</u>
Net increase in cash and cash equivalents	27,162
Cash and cash equivalents, beginning of the year	<u>525,768</u>
Cash and cash equivalents, end of the year	<u>\$ 552,930</u>

(Continued)

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

STATEMENT OF CASH FLOWS
(Continued)

For the Fiscal Year Ended June 30, 2014

Reconciliation of operating margin (loss) to net cash
used by operating activities:

Operating margin (loss)	\$ (346,713)
Adjustments to reconcile operating margin (loss) to net cash used by operating activities:	
Depreciation	86,650
Miscellaneous income	2,737
Increase in receivables	(4,362)
Increase in accrued employee leave	<u>3,205</u>
Net cash used by operating activities	<u>\$ (258,483)</u>

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

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

1. Summary of Significant Accounting PoliciesGeneral Statement

Grainger County Emergency Communications District (the District) is a 911 service which will receive telephone requests for emergency services and provide for the dispatch of appropriate emergency service units. The District is a component unit of another governmental entity. Grainger County, Tennessee is the primary government in whose financial reporting entity Grainger County E-911 is included. The District expects to receive a significant portion of its income from the tax revenues of Grainger County. Also, Grainger County's legislative body approves board members and annual operating contributions to the District.

The criteria for including organizations as component units within a County's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the County appoints all of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies all GASB pronouncements. The more significant accounting policies of the District are described below.

The entity is a proprietary fund type known as an Enterprise Fund. The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs are financed through user charges.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)1. Summary of Significant Accounting Policies (Continued)Basis of Presentation (Continued)

Proprietary funds are accounted for on a "flow of economic resources" measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Position. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net assets.

Methods of Accounting

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Net Position

The District classifies net assets into three components - 1) net investment in capital assets, 2) restricted for debt service, and 3) unrestricted.

Cash and Cash Equivalents

For purposes of these financial statements, the District considers all highly liquid investments having original maturity dates of three months or less to be cash equivalents.

Budgetary Principles

Prior to the beginning of the fiscal year, the Board of Directors adopts an annual budget. All revisions must be approved by the Board. All annual appropriations lapse at fiscal year end. Budgetary control is maintained at the line item level.

The District prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The major difference between the budgetary basis of accounting and GAAP is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP). At June 30, 2014, the District had no encumbrances.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)1. Summary of Significant Accounting Policies (Continued)Capital Assets

Capital assets owned by the District are recorded at cost, or if contributed property, at their fair market value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Depreciation is calculated on each class of depreciable property using the straight-line method.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating and Non-Operating Revenues and Expenses

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Recently Issued and Adopted Accounting Pronouncements

In June 2012, the GASB issued Statement 67, Financial Reporting for Pension Plans - an amendment of GASB Statement 25, and Statement 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement 27. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years beginning after June 15, 2014. For governments to adopt

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)1. Summary of Significant Accounting Policies (Continued)Recently Issued and Adopted Accounting Pronouncements (Continued)

Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations.

Statement No. 67 was implemented during the current year; No. 68 will be implemented on July 1, 2014.

Evaluation of Subsequent Events

Management has evaluated subsequent events through November 7, 2014, which is the date the financial statements were available to be issued.

2. Cash and Investments

Cash consisted of the following at June 30, 2014:

Cash in bank	<u>\$552,930</u>
Twelve-month certificate of deposit, maturing February 21, 2015 with an interest rate of .95%	<u>\$101,861</u>

At June 30, 2014, \$250,000 of the District's deposits is insured by federal depository insurance and the remaining is collateralized. Investment policies of the District follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)3. Capital Assets

Capital assets, together with annual depreciation and amortization rates, consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Depreciation Rates
Capital assets, being depreciated:					
Communication equipment	\$ 438,990	\$ 138,198	\$ (132,387)	\$ 444,801	10 - 20%
Building and improvements	8,315	-	-	8,315	
Furniture and fixtures	5,585	628	(5,585)	628	10%
Other fixed assets	5,045	-	(5,045)	-	10%
Office equipment	-	9,321	-	9,321	20%
Vehicles	-	29,501	-	29,501	20%
	<u>457,935</u>	<u>177,648</u>	<u>(143,017)</u>	<u>492,566</u>	
Total capital assets, being depreciated					
Less accumulated depreciation for:					
Communication equipment	(157,767)	(80,783)	132,251	(106,299)	
Building and improvements	(2,871)	(1,188)	-	(4,059)	
Furniture and fixtures	(5,312)	(366)	5,585	(93)	
Other fixed assets	(4,664)	(380)	5,045	1	
Office equipment	-	-	-	-	
Vehicles	-	(3,933)	-	(3,933)	
	<u>(170,614)</u>	<u>(86,650)</u>	<u>142,881</u>	<u>(114,383)</u>	
Total accumulated depreciation					
Total capital assets, being depreciated, net	<u>287,321</u>	<u>90,998</u>	<u>(136)</u>	<u>378,183</u>	
Total net capital assets, excluding plant acquisition adjustments	<u>\$ 287,321</u>	<u>\$ 90,998</u>	<u>\$ (136)</u>	<u>\$ 378,183</u>	

Depreciation charged to expense totaled \$86,650 for the year ended June 30, 2014.

4. Compensated Absences

The vacation year is a calendar year beginning January 1 and ending December 31. Regular full-time employees accumulate the following hours of vacation:

YEARS OF SERVICE	VACATION EARNED
1 - 2	40 HOURS
3 - 10	80 HOURS
11 - 15	120 HOURS

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)4. Compensated Absences (Continued)

Employees may accrue annual vacation leave up to a maximum of 192 hours. Unpaid vacation leave totaled \$10,844 for the year ended June 30, 2014.

Sick leave is earned by regular full-time employees at the rate of one day per month for a total of twelve (12) days earned per year. Sick leave can be accumulated and carried forward year to year, without any maximum limitation. The employee shall not be paid for accumulated sick leave credit days, but shall be able to count the unused sick leave credit days toward their retirement, to the extent allowed under the rules and regulations under the Tennessee Consolidated Retirement System. It is management's belief that sick leave does not vest, and therefore, no accrual of such leave has been made.

5. 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 purchases commercial insurance for all of these risks of loss. There have been no claims that have exceeded the insurance coverage during the three prior years.

6. Retirement Plan***Plan Description***

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

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)6. Retirement Plan (Continued)**Plan Description** (Continued)

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, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

Grainger County Emergency Communications District requires employees to contribute 5.0 percent of earnable compensation.

Grainger County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014 was 3.35% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Grainger County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2014, Grainger County Emergency Communications District's annual pension cost of \$7,737 to the TCRS was equal to Grainger County Emergency Communications District's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Grainger County Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 10 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)6. Retirement Plan (Continued)**Annual Pension Cost** (Continued)**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$7,737	100.00%	\$0.00
June 30, 2013	\$8,223	100.00%	\$0.00
June 30, 2012	\$8,026	100.00%	\$0.00

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 91.32 percent funded. The actuarial accrued liability for benefits was \$0.25 million, and the actuarial value of assets was \$0.23 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.02 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.22 million, and the ratio of the UAAL to the covered payroll was 9.81 percent.

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

Schedule of Funding Progress

(Dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
July 1, 2013	\$ 232	\$ 254	\$ 22	91.32%	\$ 224	9.81%
July 1, 2011	\$ 176	\$ 202	\$ 26	87.24%	\$ 218	11.82%
July 1, 2009	\$ 107	\$ 135	\$ 28	79.29%	\$ 199	14.11%

REQUIRED SUPPLEMENTARY INFORMATION

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF FUNDING PROGRESS

June 30, 2014

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2013	\$232	\$254	\$22	91.32%	\$224	9.81%
July 1, 2011	\$176	\$202	\$26	87.24%	\$218	11.82%
July 1, 2009	\$107	\$135	\$28	79.29%	\$199	14.11%

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS*

June 30, 2014

Description	Project Number	CFDA Number	Balance July 1, 2013 Unexpended (Receivable)	Receipts and Loans Received	Expenditures and Loans Paid	Balance June 30, 2014 Unexpended (Receivable)
Grants:						
Tennessee Department of Commerce and Insurance - Dispatcher Training Allocation	N/A	N/A	\$ -	\$ 12,000	\$ 12,000	\$ -
Tennessee Department of Commerce and Insurance - GIS Allocation	N/A	N/A	-	10,000	10,000	-
Tennessee Department of Commerce and Insurance - Zetron Max Call Taking System	N/A	N/A	103,769	-	103,769	-
Tennessee Department of Commerce and Insurance - Monthly Recurring Costs	N/A	N/A	-	11,136	11,136	-
Tennessee Department of Commerce and Insurance - Charter Revenue Loss	N/A	N/A	-	20,697	20,697	-
Tennessee Department of Commerce and Insurance - GIS Tips	N/A	N/A	-	41,264	41,264	-
Tennessee Department of Commerce and Insurance - MIP5000 Radio Reimbursement	N/A	N/A	-	84,585	84,585	-
Tennessee Department of Commerce and Insurance - 2014 Chevrolet Tahoe Reimbursement	N/A	N/A	-	29,501	29,501	-
Tennessee Department of Commerce and Insurance - 25% Wireless Distribution	N/A	N/A	-	48,212	58,034	(9,822)
Tennessee Department of Commerce and Insurance - Recurring Operational Funding	N/A	N/A	-	119,050	142,860	(23,810)
Total Grants			\$ 103,769	\$ 376,445	\$ 513,846	\$ (33,632)

*Schedule is presented on the full accrual basis of accounting.

See independent auditor's report.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF BUDGET VS. ACTUAL REVENUES AND EXPENSES

For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>
Operating revenues:		
Emergency telephone surcharge	\$ 142,000	\$ 104,989
State shared wireless charge	64,000	58,034
State Emergency Board - operational funding	<u>142,860</u>	<u>142,860</u>
Total operating revenues	<u>348,860</u>	<u>305,883</u>
Operating expenses:		
Director	44,500	44,500
Administrative (Bookkeeper)	34,400	34,400
Dispatcher	263,000	242,047
Part-time pay	30,900	30,317
Social security	24,000	22,282
Longevity pay	6,400	6,400
Christmas bonus	4,000	4,000
Medicare	6,000	5,211
Unemployment	2,500	2,062
Medical insurance	36,350	33,980
Life insurance	300	195
Retirement	10,000	7,737
Addressing/mapping expenses	2,100	2,052
Advertising	500	185
Audit service	7,500	7,081
Accounting service	400	-
Contract with government agencies	1,200	1,177
Contract with private agencies	9,000	8,682
Data processing service	1,000	904
Fees to service providers	28,000	27,515
Vehicles	1,000	393
Fuel - vehicles	2,000	1,302
Maintenance agreements	32,054	28,745
Office equipment lease	1,200	1,044
Maintenance and repairs - communications equipment	8,246	8,246
Employee testing	500	172
Office supplies	2,500	2,306
Data processing supplies	500	391
Postage	500	353
Small equipment	1,000	945
Uniforms	2,500	2,222
Utilities	1,400	773
Utilities - general telephone	7,500	6,312
Utilities - cell phone and pagers	1,500	1,146
Bank charges	100	30
Board meeting expense	200	-
Dues and memberships	500	476
Workers compensation insurance	2,200	1,177
Liability insurance	10,000	9,537
Legal notices	250	241
Licenses and fees	400	-
Surety bonds	1,700	1,690
Public education	6,351	6,208
Training expenses	3,100	2,969
Travel expenses	<u>9,000</u>	<u>8,541</u>
Total operating expenses	<u>608,251</u>	<u>565,946</u>
Operating margin (loss) before depreciation	(259,391)	(260,063)
Depreciation expense	<u>86,650</u>	<u>86,650</u>
Operating margin (loss)	<u>(346,041)</u>	<u>(346,713)</u>
Non-operating income (expense):		
Interest income	1,100	2,318
Contribution from primary government	212,500	212,500
Contributions - municipalities	40,250	40,250
State Emergency Board - grants and reimbursements	141,243	95,097
Miscellaneous income	3,005	2,737
Gain (loss) on disposal of capital assets	-	(136)
Total non-operating income (expense)	<u>398,098</u>	<u>352,766</u>
Income before capital grant contributions	52,057	6,053
Capital grant contributions - State Emergency Board	-	217,855
Change in net position	<u>\$ 52,057</u>	<u>\$ 223,908</u>

See independent auditor's report.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF OPERATING EXPENSES

For the Fiscal Year Ended June 30, 2014

Operating expenses:	
Salaries and wages:	
Director	\$ 44,500
Administrative personnel	34,400
Dispatchers	242,047
Part-time personnel	30,317
Christmas bonus	4,000
Longevity pay	6,400
	<u>361,664</u>
Total salaries and wages	
Employee benefits:	
Social security	22,282
Medicare	5,211
Medical insurance	33,980
Unemployment compensation	2,062
Life insurance	195
Retirement contributions	7,737
	<u>71,467</u>
Total employee benefits	
Contracted services:	
Accounting	-
Advertising	185
Addressing/mapping	2,052
Audit services	7,081
Contract with government agency	1,177
Contract with private agency	8,682
Data processing services	904
Fees paid to service providers	27,515
Maintenance agreements	28,745
Rental/office equipment	1,044
Lease/vehicles	393
Maintenance and repairs - communications equipment	8,246
Fuel - vehicles	1,302
	<u>87,326</u>
Total contracted services	
Supplies and materials:	
Data processing supplies	391
Office supplies	2,306
Postage	353
Small equipment purchases	945
Uniforms and shirts	2,222
Utilities	773
Utilities - general telephone	6,312
Utilities - cell phones and pagers	1,146
	<u>14,448</u>
Total supplies and materials	
Other charges:	
Bank charges	30
Dues and memberships	476
Employee testing	172
Insurance - workers compensation	1,177
Insurance - liability	9,537
Legal notices	241
Premiums on surety bonds	1,690
Public education	6,208
Training expenses	2,969
Travel expenses	8,541
	<u>31,041</u>
Total other charges	
Total operating expenses	
	<u>\$ 565,946</u>

See independent auditor's report.

GRAINGER COUNTY EMERGENCY COMMUNICATIONS DISTRICT

RUTLEDGE, TENNESSEE

SCHEDULE OF TELEPHONE SURCHARGE RATES

June 30, 2014

Residential	\$1.50/ month
Commercial	\$3.00/ month
Wireless	\$1.00/ month *

*The State of Tennessee collects this charge from service providers monthly for each wireless customer in the State and retains 75% of the collections. The other 25% is allocated and distributed among various communications districts serving citizens based on population and other service area data. Grainger County ECD receives their allocated share of these charges.

See independent auditor's report.

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INDEPENDENT AUDITOR'S 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
Grainger County Emergency
Communications District
Rutledge, 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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Grainger County Emergency Communications District (the District), a component unit of Grainger County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
November 7, 2014