

**WASHINGTON COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended June 30, 2015

WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2015

**WASHINGTON COUNTY EMERGENCY
COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Washington County Emergency
Communications District
Johnson City, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Washington County Emergency Communications District (the District), a component unit of Washington County, Tennessee, as of and for the year ended June 30, 2015, 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.

Auditors' 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 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington County Emergency Communications District, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 11 to the financial statements, in fiscal year 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. 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 the management's discussion and analysis and the Schedule of Contributions Based on Participation in the Public Employee Pension of TCRS, Schedule of Changes in Net Pension Liability and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS and Schedule of Funding Progress for Post-Employment Healthcare Plan on pages 4 through 8 and pages 29 through 32 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 Washington County Emergency Communications District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Budgetary Comparison Schedule and Roster of Board Members and Management are the responsibility of management and were 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 information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2015, on our consideration of the Washington County Emergency Communications 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 Washington County Emergency Communications District's internal control over financial reporting and compliance.

Blackburn, Childers & Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 2, 2015



**WASHINGTON COUNTY
EMERGENCY COMMUNICATIONS DISTRICT**

401 ASHE STREET • P.O. BOX 448
JOHNSON CITY, TENNESSEE 37605
423/928-9111 • FAX 423/979-2324

Management's Discussion and Analysis

As management of the Washington County Emergency Communications District ("the District"), a component unit of Washington County, Tennessee, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

FINANCIAL HIGHLIGHTS

The District's Operating Revenues decreased this fiscal year by 1.58% with a year-end total of \$1,660,440. This was a \$26,622 decrease compared to \$1,687,062 received last year. This decrease is due to the continual decline of 911 surcharge collections from wireline telephone customers.

The term "net position" refers to the difference between assets, deferred outflows, liabilities and deferred inflows. At the close of this fiscal year, the District had net position of \$1,922,810 compared to \$2,346,517 last year. This was a decrease of 18.1% or \$423,707 from the previous year, of which \$428,064 of this change is a result of a prior period adjustment due to implementation of GASB 68.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's financial statements, which consists of the basic financial statements and the notes to the financial statements. The District is a separate government entity, which was established by referendum in 1986. The City of Johnson City Commission and Washington County Commission contracts with the District to provide a consolidated dispatch communication center for both the City of Johnson City and Washington County.

The District's basic financial statements include Operating, Non-operating revenue and Operating expenses. The Operating revenue is defined as Emergency Telephone Service Charge; Tennessee Emergency Communications Board (TECB) Shared Wireless Charge; and TECB Operational funding and TECB Distribution of 911 Surcharges. The Non-operating revenue is defined as Interest Income, Investment Income, Contributions from Primary Governments(s); TECB Grants and Reimbursements and Contracted Services. Operating Expenses are categorized based on the TECB chart of accounts as Salaries and Wages; Employee Benefits; Contracted Services; Supplies and Materials; and Other Charges.

Basic financial statements: The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

Net Position: The Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows, with the difference between these items reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

the financial position of the District is improving or deteriorating. Increases to assets and deferred outflows without a corresponding increase to liabilities and deferred inflows, results in increased net position, which indicates an improved financial position.

The statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the financial statements: The notes provide additional information that is essential to fully understanding the data provided in the basic financial statements.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budget to actual comparison and certain non-financial information required by the Tennessee Emergency Communications Board.

FINANCIAL ANALYSIS

FINANCIAL ANALYSIS

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>	<u>% Change</u>
ASSETS				
Current Assets	\$ 2,305,674	\$ 2,247,658	\$ 58,016	2.58%
Capital Assets	681,890	726,856	(44,966)	-6.19%
TOTAL ASSETS	<u>2,987,564</u>	<u>2,974,514</u>	<u>13,050</u>	0.44%
Deferred Outflow of Resources	<u>198,858</u>	-	<u>198,858</u>	100.0%
LIABILITIES				
Current Liabilities	429,091	388,645	40,446	10.41%
Non-Current Liabilities	569,247	239,352	329,895	137.83%
TOTAL LIABILITIES	<u>998,338</u>	<u>627,997</u>	<u>370,341</u>	58.97%
Deferred Inflows of Resources	<u>265,274</u>	-	<u>265,274</u>	100.0%
NET POSITION				
Investment in Capital Assets	681,890	726,856	(44,966)	-6.19%
Unrestricted	1,240,920	1,619,661	(378,741)	-23.38%
TOTAL NET POSITION	<u>\$ 1,922,810</u>	<u>\$ 2,346,517</u>	<u>\$ (423,707)</u>	-18.06%

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

REVENUE				
Operating Revenues	\$ 1,660,440	\$ 1,687,062	\$ (26,622)	-1.58%
Nonoperating Revenue	<u>1,466,393</u>	<u>1,448,411</u>	<u>17,982</u>	1.24%
TOTAL REVENUES	<u>3,126,833</u>	<u>3,135,473</u>	<u>(8,640)</u>	-0.28%
EXPENSES				
Operating Expenses	2,960,224	3,029,848	(69,624)	-2.30%
Depreciation	<u>162,252</u>	<u>164,794</u>	<u>(2,542)</u>	-1.54%
TOTAL EXPENSES	<u>3,122,476</u>	<u>3,194,642</u>	<u>(72,166)</u>	-2.26%
INCREASE (DECREASE) IN NET POSITION	4,357	(59,169)	63,526	-107.36%
BEGINNING NET POSITION	2,346,517	2,405,686	(59,169)	-2.46%
PRIOR PERIOD ADJUSTMENT	<u>(428,064)</u>	<u>-</u>	<u>(428,064)</u>	100.00%
BEGINNING NET POSITION (RESTATEMENT)	<u>1,918,453</u>	<u>2,405,686</u>	<u>(487,233)</u>	
ENDING NET POSITION	<u><u>\$ 1,922,810</u></u>	<u><u>\$ 2,346,517</u></u>	<u><u>\$ (423,707)</u></u>	-18.06%

District Net Position this year ended with assets and deferred outflows exceeding liabilities and deferred inflows by \$1,922,810. This represents an increase of \$4,357. The unrestricted net position was \$1,240,920 at year-end compared to \$1,619,661 from previous year. This was a decrease of \$378,741.

Total assets at year end are \$2,987,564 which includes \$2,305,674 of current assets and \$681,890 of capital assets. Total assets increased \$13,050 or 0.44% from previous year.

The operating revenue for the year was \$1,660,440 compared to \$ 1,687,062 in the previous year; a decrease of 1.58% or \$26,622. The operating revenues are monies received from Centurylink and third party CLECs for 911 telephone surcharges; TECB Shared Wireless, TECB Operational Funding and TECB Distribution of 911 Surcharge Base Funding.

The non operating revenue for the year was \$1,466,393 compared to \$1,448,411 in the previous year; an increase of \$17,982 or 1.24%. The non operating revenue consists of appropriations from Washington County and City of Johnson City for dispatch services, contracted services from other agencies; TCEB Grants and reimbursements, miscellaneous income, and interest income. This increase was due to a non-recurring grant from TECB for capital equipment purchases.

The total revenue includes operating revenue and non operating revenue was \$3,126,833 compared to \$3,135,473 from previous year, a decrease of 0.28% or \$8,640. This decrease was due to loss of wireline and wireless revenue, interest and no new monies from the City of Johnson City and Washington County for their contracted dispatch services.

The operating expenses were \$2,960,224 for the year compared to \$3,029,848 in previous year for a decrease of \$69,624 or 2.30%. Operating expenses consists of salaries and wages; employee benefits; contracted services including costs associated with providing 911 and dispatch services including hardware, software, maintenance and repairs; supplies and materials; and other charges. The District cut expenses to the minimum and increased employee health insurance contribution to offset the rising cost of health insurance.

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A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

Total expenses including operating expenses and depreciation expenses for the year were \$3,122,476 compared to \$3,194,642 in previous year, a decrease of 2.26% or \$72,166.

The District's net position reflects its investment in Money Market Accounts, Money Market Savings Accounts, and Certificates of Deposits. The District diversified investments in various local financial institutions, all of which are members of the Tennessee State Collateral Pool, based on the best interest rates available at the time of deposit. These funds are expected to be used to purchase capital assets including but not limited to property, maintaining the communications equipment hardware, software upgrades, and the auditors recommended fund reserve balance.

SIGNIFICANT EVENTS:

The District request for additional revenue for dispatch contracted services from the City of Johnson City and Washington County was not approved again this budget year. The District also faced changes in 911 funding in January 2015 with the approval of the 911 Funding Modernization and IP Transition Act. The Act was approved by the Tennessee General Assembly establishing uniform 911 rate for residential phone lines, business phone lines, Voice Over Internet Protocol (VoIP), and wireless phone lines at \$1.1 per line. The Act authorized 911 surcharges would be collected and remitted to TECB and not Districts. TECB would then distribute the monies based on revenue neutral funding study that was conducted prior to this legislation. This Act also eliminated all the TECB grant funding mechanisms that had been offered by the TECB for training and GIS. These changes in operating and non-operating revenue forced the District to be very conservative on expenditures again this year.

The building continued to be problematic this year with additional roof leaks in the main section of the building and forced the District to complete several roof repairs again this year. The District is continuing to look for a suitable location or building to relocate the Communications Center.

The District's goal to improve dispatch response times has led to a joint effort with Washington County – Johnson City Emergency Medical Services, Johnson City Fire, Johnson City Police, and Washington County Public Safety Agencies to implement Automatic Vehicle Location (AVL) – Mobile Data to assist both dispatchers and responders. The District purchased the necessary Computer Aided Dispatch (CAD) product upgrade, additional servers, and mapping licenses to start work on this project.

CASH FLOW

Net cash used for operating activities for the year were \$1,098,152 compared to \$1,166,185 from the prior year. Net cash used by capital and related financing activities decreased by \$77,835.

BUDGETING HIGHLIGHTS

The District adopted an annual budget in June 2014. As conditions change during the year, the budget may need to be amended to prevent budget overruns. The District amended the budget in December 2014 and June 2015. The original and final budgets are presented as separate columns in the supplementary information.

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

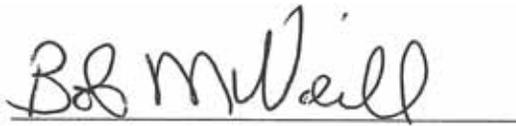
CAPITAL ASSET AND DEBT ADMINISTRATION

The District's investment in capital assets decreased to \$681,890 compared to \$726,856 last year. This was a decrease of \$44,966 or 6.19%.

The District does not have any long term debt.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Director Bob McNeill, Washington County Emergency Communications District, P.O. Box 448, Johnson City, Tennessee 37605.

A handwritten signature in cursive script, reading "Bob McNeill", is written over a horizontal line.

Bob McNeill
Director

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2015**

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,984,642	
Certificate of Deposit: Long - Term	249,500	
Prepaid Expenses	<u>71,532</u>	
Total Current Assets		2,305,674
CAPITAL ASSETS		
Building Improvements	544,100	
Vehicles	51,618	
Communication and Office Equipment	1,385,153	
Furniture and Fixtures	34,321	
Less: Accumulated Depreciation	<u>(1,333,302)</u>	
Net Capital Assets		<u>681,890</u>
TOTAL ASSETS		<u>2,987,564</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Changes in Experience	7,390	
Pension Contributions After Measurement Date	<u>191,468</u>	
TOTAL DEFERRED OUTFLOWS OF RESOURCES		<u>198,858</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	12,876	
Accrued Expenses	27,559	
Accrued Payroll	38,525	
Compensated Absences Payable	<u>350,131</u>	
TOTAL CURRENT LIABILITIES		429,091
NON-CURRENT LIABILITIES		
Net Pension Liability	262,041	
Other Post-Employment Benefits	<u>307,206</u>	
TOTAL NON-CURRENT LIABILITIES		<u>569,247</u>
TOTAL LIABILITIES		<u>998,338</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Changes in Investment Earnings		<u>265,274</u>
NET POSITION		
Investment in Capital Assets	681,890	
Unrestricted	<u>1,240,920</u>	
TOTAL NET POSITION		<u>\$1,922,810</u>

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

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2015**

OPERATING REVENUES		
Emergency Telephone Service Charge	\$ 402,674	
Tennessee Emergency Communications Board		
Shared Wireless Charge	115,188	
Operational Funding	222,856	
Distribution of 911 Surcharges (Base Amount)	919,722	
Total Operating Revenues	<u>919,722</u>	<u>1,660,440</u>
OPERATING EXPENSES		
Salaries and Wages		
Director	78,543	
Administrative Personnel	150,939	
Dispatchers	767,887	
Telecommunicators/Call Takers	47,842	
GIS Coordinator	33,938	
Part-Time Personnel	36,526	
Dispatch Supervisors	144,092	
Training Supervisor	48,290	
Assistant Director	72,967	
Overtime Pay	88,308	
Longevity Bonus	27,090	
Bonuses	20,505	
Holiday Pay	50,305	
Sick Pay	74,830	
Vacation Pay	81,929	
Compensatory Time Pay	9,862	
	<u>9,862</u>	<u>1,733,853</u>
Employee Benefits		
Social Security	98,574	
Medicare	23,053	
Life Insurance	10,943	
Medical Insurance	526,655	
Dental Insurance	30,768	
Unemployment Compensation	1,903	
Retirement Contributions	91,512	
Other Post-Employment Benefits	79,361	
	<u>79,361</u>	<u>862,769</u>

(Continued)

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2015**

OPERATING EXPENSES (CONTINUED)

Contracted Services			
Audit Services	7,800		
Architects	1,750		
Advertising	644		
Administrative Fees	15,166		
Fees Paid to Phone Company	76,198		
Financial Advisor Services	3,750		
Janitorial Services	353		
Language Line	813		
Data Processing Services	27,775		
Maintenance Agreements	101,429		
Fuel Charges	2,633		
Pest Control	180		
Lease/Rental of Building/Facilities	1,350		
NCIC/TBI/TIES	4,240		
Maintenance and Repairs - Building and Facilities	2,080		
Maintenance and Repairs - Vehicles	782		
	246,943		246,943
Supplies and Materials			
Small Equipment Purchases	4,698		
Office Supplies	3,513		
Postage	358		
Custodial Supplies	4,042		
Data Processing Supplies	2,166		
Uniforms and Shirts	1,971		
Utilities - Electric	20,290		
Utilities - Gas	2,702		
Utilities - Water	3,819		
Utilities - Phones	20,560		
	64,119		64,119
Other Charges			
Board Meeting Expenses	958		
Insurance - Workers Compensation	5,164		
Insurance - Equipment	100		
Insurance - Liability	5,073		
Insurance - Building and Contents	7,588		
Insurance - Vehicles	1,777		
Dues and Membership	1,515		
Legal Notices	78		
Public Education	766		
Employee Testing and Exams	1,536		
Premiums on Surety Bonds	3,556		
Service Awards	994		
Training Expenses	9,121		
Travel Expenses	10,671		
Internet Charges	3,643		
	52,540		52,540

(Continued)

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2015**

OPERATING EXPENSES (CONTINUED)		
Depreciation		162,252
TOTAL OPERATING EXPENSES		3,122,476
OPERATING LOSS		(1,462,036)
NONOPERATING REVENUES (EXPENSES)		
Contributions from Primary Government	645,000	
Contributions from Other Government Agencies	590,000	
Tennessee Emergency Communications Board - Grants and Reimbursements	205,607	
Revenue from Contracted Services	20,448	
Interest Income	5,338	
TOTAL NONOPERATING REVENUES (EXPENSES)		1,466,393
INCREASE IN NET POSITION		4,357
NET POSITION, JULY 1, 2014		2,346,517
PRIOR PERIOD ADJUSTMENT		(428,064)
NET POSITION, JULY 1, 2014, RESTATED		1,918,453
NET POSITION, JUNE 30, 2015		\$ 1,922,810

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

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Surcharges and Other Revenues	\$ 1,860,069	
Cash Payments to Employees	(1,700,688)	
Cash Payments for Employee Benefits	(897,952)	
Cash Payments for Contracted Services	(253,633)	
Cash Payments for Supplies	(53,408)	
Cash Payments for Other Charges	<u>(52,540)</u>	
Net Cash Used for Operating Activities		(1,098,152)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions from Primary Government	645,000	
Contributions from Other Local Government Agencies	590,000	
Grants/Reimbursements TECB	<u>205,607</u>	
Net Cash Provided by Noncapital Financing Activities		1,440,607
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of Capital Assets	<u>(117,286)</u>	
Net Cash Used for Capital Financing Activities		(117,286)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income Received	<u>5,338</u>	
Net Cash Provided by Investing Activities		<u>5,338</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		230,507
CASH AND CASH EQUIVALENTS AT JULY 1, 2014		<u>1,754,135</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2015		<u><u>\$ 1,984,642</u></u>

(Continued)

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2015**

RECONCILIATION OF OPERATING LOSS TO NET CASH
USED FOR OPERATING ACTIVITIES

Operating Loss	\$ (1,462,036)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	162,252
Revenue from Contracted Services	20,448
(Increase) Decrease in Accounts Receivable	68,348
(Increase) Decrease in Prepaid Expenses	(6,690)
(Increase) Decrease in Due From Tennessee Emergency Communications Board	110,833
(Increase) Decrease in Deferred Outflows of Resources	(191,468)
Increase (Decrease) in Accounts Payable	10,710
Increase (Decrease) in Accrued Payroll	6,779
Increase (Decrease) in Accrued Expenses	(3,429)
Increase (Decrease) in Net Pension Liability	91,861
Increase (Decrease) in Other Post-Employment Benefits	67,854
Increase (Decrease) in Compensated Absences Payable	26,386
NET CASH USED FOR OPERATING ACTIVITIES	\$ (1,098,152)

SCHEDULE OF NON-CASH OPERATING ACTIVITIES

Prior Period Adjustments Related to Implementation of GASB 68: *Accounting and
Financial Reporting for Pensions - An Amendment to GASB No. 27*

Net Pension Liability	\$ 170,180
Deferred Inflows: Pension Changes in Investment Earnings	\$ 265,274
Deferred Outflows: Pension Changes In Experience	\$ 7,390

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

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Washington County Emergency Communications District (the District) is an emergency communications district under *Tennessee Code Annotated* Section 7-86. The District has established the number 911 as a primary emergency telephone number to provide emergency service quickly and efficiently.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements are reported using the economic resources measurement focus on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District is a discretely presented Component Unit of Washington County, Tennessee. The District is a separate legal entity and is not fiscally dependent upon Washington County. However, the WCECD Board of Directors is appointed by the County Mayor and Washington County has the ability to significantly influence the programs, projects, activities and level of services provided by the District.

The District began operations December 1, 1986, and operates as an Enterprise Fund. The Board of Directors authorized the Sprint-United Telephone Company to begin charging the 911 surcharge to all customers in Washington County and the City of Johnson City on January 1, 1987. The surcharge is \$1.50 per residential subscriber and \$3.00 per line for commercial subscribers up to a maximum 100 lines. The lines actually belong to the phone company and are leased annually by 911.

Operating revenue includes service charges, and funding from the Tennessee Emergency Communications Board. Nonoperating revenues are identified in accordance with the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District considers restricted funds to have been spent first.

Basis of Accounting

The District utilizes the full accrual basis of accounting. Revenue is recognized in the period in which it is earned and measurable; likewise, expenses are recognized when incurred, if measurable. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position in accordance with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Cash and Deposits

Cash and Cash Equivalents on the Statements of Net Position and Cash Flows includes petty cash, cash on hand, demand deposits, and certificates of deposit with an original maturity of three months or less.

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Deposits (Continued)

Cash and Cash Equivalents and Certificate of Deposit: Long-Term are all covered by FDIC insurance or by the State of Tennessee collateral pool. The Certificate of Deposit: Long-Term has an original maturity of greater than three months. There are no investments at June 30, 2015.

The District is exposed to concentration of credit risk by placing its deposits in financial institutions. The District has mitigated the risks because the bank balance in excess of the FDIC limit is collateralized by the State of Tennessee bank collateral pool.

Compensated Absences

Regular full - time employees accrue 40 hours of vacation time after 1 year of continuous employment, 80 hours after 2 years of continuous employment, 88 hours after 5 years of continuous employment, 96 hours after 6 years of continuous employment, 104 hours after 7 years of continuous employment, 112 hours after 8 years of continuous employment, 120 hours after 9 years of continuous employment, and 120 hours thereafter of continuous employment. Regular full time employees who have completed 15 years of continuous employment will receive 128 hours of vacation time, 136 hours after 16 years of continuous employment, 144 hours after 17 years of continuous employment, 152 hours after 18 years of continuous employment, 160 hours after 19 years of continuous service.

Sick leave accrues at a rate of 8 hours per month. Sick leave days may accumulate with no maximum number of hours. An employee who has completed 15 years of service and is eligible to retire would be eligible for one or both of the following options: (1) upon retirement, an employee may elect to receive compensation equivalent to 2 days of sick leave at the employee's regular rate for every completed year of service, up to a maximum of 30 years, or option (2), the employee may receive service credits based upon a board approved formula.

Compensatory time may be earned at 1-1/2 times the regular rate of pay for time worked over 40 hours of work. Without the proper request, employees are paid this rate on their next paycheck.

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.

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 1 - GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2 - BUDGET

In accordance with *Tennessee Code Annotated (TCA) 7-86-120*, an annual budget is adopted by the District. The budget is approved by the Board of Directors and is also submitted to the primary government, Washington County, Tennessee. Expenses are presented at the legal level of control which is defined in the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* as the line-item level.

NOTE 3 - DEPOSITS AND INVESTMENTS

DEPOSITS - All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the organization. The District does not have a policy for interest rate risk or other credit risk other than pledging securities for amounts in excess of FDIC coverage.

INVESTMENTS – Investments are allowed for the District in accordance with *TCA Section 5-8-301* which includes the provision that counties are authorized to make direct investments in bonds, notes or treasury bonds, notes or treasury bills of the U.S. Government and obligations guaranteed by the U.S. Government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and Washington County's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The District may make investments with longer maturities if various restrictions set out in the State law are followed. The District is also authorized to make investments in the State Pooled Investment Fund and in repurchase agreements. Repurchase agreements must be approved by the State Director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. Government or obligations guaranteed by the U.S. Government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least 2% below the market value of the securities on the day of purchase.

As of June 30, 2015, the District held no investments.

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 4 - CAPITAL ASSETS

Capital assets are stated at cost. Depreciation is computed using the straight-line method and a life of 10-40 years for building renovations, 1-10 years for the furniture, 3-7 years for the equipment, and 5 years for the vehicles. The dollar threshold for capitalization is \$250.

Function and Activity

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Being Depreciated:				
Building Improvements	\$ 545,825	-	(1,725)	544,100
Vehicles	51,618	-	-	51,618
Communication and Office Equipment	1,291,059	116,755	(22,661)	1,385,153
Furniture and Fixtures	59,616	531	(25,826)	34,321
	<u>1,948,118</u>	<u>117,286</u>	<u>(50,212)</u>	<u>2,015,192</u>
Less Accumulated Depreciation For:				
Building Improvements	(363,286)	(19,474)	1,725	(381,035)
Vehicles	(48,997)	(2,621)	-	(51,618)
Communication and Office Equipment	(754,401)	(139,002)	22,661	(870,742)
Furniture and Fixtures	(54,578)	(1,155)	25,826	(29,907)
	<u>(1,221,262)</u>	<u>(162,252)</u>	<u>50,212</u>	<u>(1,333,302)</u>
Net Capital Assets	<u>\$ 726,856</u>	<u>(44,966)</u>	<u>0</u>	<u>681,890</u>

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 5 - PENSION PLAN

General Information about the 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 percent 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 prior 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 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 5 - PENSION PLAN (CONTINUED)

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	9
Inactive employees entitled to but not yet receiving benefits	28
Active employees	38
	<u>75</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The District has adopted a noncontributory plan and makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the District were \$191,468 based on a rate of 12.05 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the District's state shared taxes if required employer 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:

The District's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability 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:

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 5 - PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

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 asset 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 rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 5 - PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33.00%
Developed Market International Equity	6.26%	17.00%
Emerging Market International Equity	6.40%	5.00%
Private Equity Strategic Lending	4.61%	8.00%
U.S. Fixed Income	0.98%	29.00%
Real Estate	4.73%	7.00%
Short-term Securities	0.00%	1.00%
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.50 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. 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.

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 5 - PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 6/30/2013	\$ 4,220,046	3,601,692	618,354
Changes for the year:			
Service Cost	108,148	-	108,148
Interest	321,423	-	321,423
Differences Between Expected and Actual Experience	8,446	-	8,446
Contributions - Employer	-	190,290	(190,290)
Contributions - Employees	-	-	-
Net Investment Income	-	605,605	(605,605)
Benefits Payments, Including Refunds of Employee Contributions	(85,107)	(85,107)	-
Administrative Expense	-	(1,565)	1,565
Net Changes	<u>352,910</u>	<u>709,223</u>	<u>(356,313)</u>
Balance at 6/30/2014	<u>\$ 4,572,956</u>	<u>4,310,915</u>	<u>262,041</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District calculated using the discount rate of 7.50 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1.00-percentage-point lower (6.50 percent) or 1.00-percentage-point higher (8.50 percent) than the current rate:

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Washington County Emergency Communications District's Net Pension Liability (Asset)	\$ 1,098,675	262,041	(416,836)

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 5 - PENSION PLAN (CONTINUED)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense

For the year ended June 30, 2015, the District recognized pension expense of \$91,861.

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	\$ 7,390	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	265,274
Contributions Subsequent to the Measurement Date of June 30, 2014	191,468	-
Total	\$ 198,858	265,274

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

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

Year Ended June 30:	
2016	\$ (65,262)
2017	(65,262)
2018	(65,262)
2019	(65,262)
2020	1,056
Thereafter	2,112

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 5 - PENSION PLAN (CONTINUED)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

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

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS

Plan Types

The District has adopted a plan that provides post-employment medical, dental, and vision benefits for retirees and their dependents. Upon retirement, individuals are eligible to continue to receive coverage under the employer's group medical, dental and vision plans.

The District offers other post-employment benefits for full time regular employees retiring under the Tennessee Consolidated Retirement System (TCRS) guidelines. There is no minimum age requirement with 30 years of service or age 60 with 25 years of service. If the employee transferred from the City of Johnson City in 1988, they are eligible to count their full time employment with the City toward the eligibility year requirement. Eligible retirees receive medical, vision and dental insurance until eligible for Medicare. If coverage for legal dependents is in place, the legal dependent's insurance benefit will cease when they are Medicare eligible. The eligible retirees will contribute two times the amount that a current active employee contributes. The surviving spouse can carry insurance for 60 days from the date of death of a retired employee at current rates. As of the effective date of the actuarial valuation, there was a total of 31 active participants and one retiree. Since the initial actuarial valuation, eligibility requirements were changed to allow retirees with 25 years of service at age 60 to receive benefits. Also, the proportion of retirees with family coverage is expected to be substantially higher than in the initial valuation. The discount rate was changed to 4.0% and the per capita benefit costs and trends were different from the initial valuation.

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy

The contribution requirements of plan members are based on pay-as-you go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The District's other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each fiscal year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the District's costs for the year, the amount actually contributed to the plan, and changes in the OPEB obligation.

Annual OPEB Cost and Net OPEB Obligation	
Annual Required Contribution (ARC)	\$ 79,361
Interest on net OPEB Obligation	9,574
Adjustment to ARC	<u>(11,677)</u>
Annual OPEB Cost (Expense)	77,258
Contribution Made (assumed end of year)	<u>9,404</u>
Increase in Net OPEB Obligation	67,854
Net OPEB Obligation - Beginning of Year	<u>239,352</u>
Net OPEB Obligation - End of Year	<u><u>\$ 307,206</u></u>

The actuarial report does include an implicit rate subsidy of approximately \$7,659 not reflected in the contribution amount above. The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2015, 2014 and 2013 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Net OPEB Obligation
6/30/2015	\$ 77,258	\$ 307,206
6/30/2014	\$ 61,619	\$ 239,352
6/30/2013	\$ 57,538	\$ 182,639

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the date of the actuarial valuation was as follows:

Actuarial Valuation Date	<u>7/1/2014</u>
Actuarial Accrued Liability (AAL)	\$ 706,148
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 706,418
Actuarial Value of Assets as a % of the AAL	-
Covered Payroll	\$ 1,768,150
UAAL as a Percentage of Covered Payroll	39.94%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following methods and assumptions were used.

The valuation date is July 1, 2014 and year 1 represents the period of July 1, 2014 to June 30, 2015. A discount rate of 4.0% was used to discount expected liabilities to the valuation dates. Future salaries are expected to increase at an annual rate of 3.0%. Average health care trend costs rates are assumed to increase by .80% (year 1), 8.00% (years 2 and 3), 7.50% (years 4 and 5), 7.00% (years 6 and 7), 6.50% (years 8 and 9), 6.00% (years 10 and 11), and 5.50% for years 12 and subsequent. The Projected Unit Credit Actuarial cost method was used to allocate the value of benefits to valuation years. The ARC was calculated using the level dollar amortization method, amortizing costs over 30 years on an open basis.

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015**

NOTE 7 - CONTRACT

The District has a contract for telephone access lines from Centurylink-United Telephone Southeast. The billing is reviewed annually based on the number of access lines in-service at calendar year end. This monthly base rate is influenced by various additional charges including database, switching fees, transfers and other services.

NOTE 8 - RISK MANAGEMENT ACTIVITIES

The District carries insurance coverage for property, auto liability, workman’s compensation, general liability and contents. There have been no significant changes from the previous fiscal year in the types of coverage. There have been no claims in the past three fiscal years which were not covered by insurance.

NOTE 9 - SURCHARGE DETAIL

Below are amounts that comprise the Emergency Telephone Service Charge Total:

	Actual
Centurylink	\$ 374,327
CLEC	28,347
	\$ 402,674

NOTE 10 - CONCENTRATION

The District depends upon financial resources flowing from, or associated with, both the State of Tennessee and local governments. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to State laws and State and local appropriations.

NOTE 11 - ACCOUNTING CHANGES

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015. As a result of implementing the provisions of these statements, the District recognized the initial establishment of a net pension liability at July 1, 2013. Accordingly, the District restated its financial statements for the year ended June 30, 2014. The effect of the restatement was to decrease the District’s net position by \$428,064.

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE PENSION OF TCRS
Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 190,290	\$ 191,468
Contributions in Relation to the Actuarially Determined Contribution	<u>190,290</u>	<u>191,468</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 1,579,170	\$ 1,733,853
Contributions as a Percentage of Covered-Employee Payroll	12.05%	11.04%

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

See Independent Auditors' Report.

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED
RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30**

	2014
TOTAL PENSION LIABILITY	
Service Cost	\$ 108,148
Interest	321,423
Changes in Benefit Terms	-
Differences Between Actual and Expected Experience	8,446
Change of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(85,107)
NET CHANGE IN TOTAL PENSION LIABILITY	352,910
TOTAL PENSION LIABILITY - BEGINNING	4,220,046
TOTAL PENSION LIABILITY - ENDING (a)	\$ 4,572,956
PLAN FIDUCIARY NET POSITION	
Contributions - Employer	\$ 190,290
Contributions - Employee	-
Net Investment Income	605,605
Benefit Payments, Including Refunds of Employee Contributions	(85,107)
Administrative Expense	(1,565)
NET CHANGE IN TOTAL PENSION LIABILITY	709,223
PLAN FIDUCIARY NET POSITION - BEGINNING	3,601,692
PLAN FIDUCIARY NET POSITION - ENDING (b)	\$ 4,310,915
NET PENSION LIABILITY - ENDING (a) - (b)	\$ 262,041
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	94.27%
COVERED EMPLOYEE PAYROLL	1,579,170
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	16.59%

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

(Continued)

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED
RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30**

Notes To Schedule

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen initial liability
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	7 years
Asset Valuation	10-year smoothed within a 20 percent corridor to market
Inflation	3.00%
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.50 percent, 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 percent

See Independent Auditors' Report.

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
SCHEDULE OF FUNDING PROGRESS FOR
POST-EMPLOYMENT HEALTHCARE PLAN
For the Fiscal Year Ended June 30, 2015**

Schedule of Funding Progress – Post-Employment Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (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 2014	\$ 0	\$ 706,148	\$ 706,148	0.0%	\$ 1,768,150	39.94%
July 1, 2011	\$ 0	\$ 510,704	\$ 510,704	0.0%	\$ 1,730,000	29.50%
July 1, 2008	\$ 0	\$ 204,179	\$ 204,179	0.0%	\$ 1,611,000	12.70%

See Independent Auditors' Report.

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2015**

	Budgeted Amounts			Variance with Final Budget - Under (Over)
	Original Budget	Final Budget	Actual Amounts	
OPERATING REVENUES				
Emergency Telephone Service Charge	\$ 420,000	402,674	402,674	-
Tennessee Emergency Communications Board Shared Wireless Charge	155,000	115,188	115,188	-
Operational Funding	266,000	222,856	222,856	-
Distribution of 911 Surcharges (Base Amount)	919,721	919,722	919,722	-
Total Operating Revenues	1,760,721	1,660,440	1,660,440	-
OPERATING EXPENSES				
Salaries and Wages				
Director	85,008	79,381	78,543	838
Administrative Personnel	150,000	151,008	150,939	69
Dispatchers	836,752	768,000	767,887	113
Telecommunicators/Call takers	60,000	48,000	47,842	158
GIS Coordinator	37,500	34,500	33,938	562
Part-Time Personnel	33,500	37,000	36,526	474
Dispatch Supervisors	143,508	145,000	144,092	908
Training Supervisor	46,800	48,500	48,290	210
Assistant Director	74,508	73,508	72,967	541
Overtime Pay	84,000	88,500	88,308	192
Longevity Bonus	27,504	27,090	27,090	-
Bonuses	504	20,505	20,505	-
Holiday Pay	52,008	51,008	50,305	703
Sick Pay	78,000	76,000	74,830	1,170
Vacation Pay	85,008	82,000	81,929	71
Compensatory Time Pay	12,000	10,000	9,862	138
Total Salaries and Wages	1,806,600	1,740,000	1,733,853	6,147
Employee Benefits				
Social Security	112,010	100,000	98,574	1,426
Medicare	26,196	24,000	23,053	947
Life Insurance	15,000	10,943	10,943	-
Medical Insurance	586,500	526,700	526,655	45
Dental Insurance	40,000	30,768	30,768	-
Unemployment Compensation	100	1,903	1,903	-
Retirement Contributions	214,042	193,000	91,512	101,488
Other Post-Employment Benefits	63,801	79,361	79,361	-
Total Employee Benefits	1,057,649	966,675	862,769	103,906

(Continued)

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2015**

	Budgeted Amounts			Variance with Final Budget - Under (Over)
	Original Budget	Final Budget	Actual Amounts	
OPERATING EXPENSES (CONTINUED)				
Contracted Services				
Audit Services	7,800	7,800	7,800	-
Architects	-	1,750	1,750	-
Advertising	200	644	644	-
Administrative Fees	12,565	15,167	15,166	1
Fees Paid to Phone Company	82,345	76,500	76,198	302
Financial Advisor Services	3,500	3,750	3,750	-
Janitorial Services	-	353	353	-
Language Line	900	813	813	-
Data Processing Services	17,210	27,775	27,775	-
Legal Services	500	-	-	-
Maintenance Agreements	101,429	101,430	101,429	1
Fuel Charges	4,400	2,633	2,633	-
Pest Control	500	180	180	-
Lease/Rental of Building/Facilities	1,350	1,350	1,350	-
NCIC/TBI/TIES	4,240	4,240	4,240	-
Maintenance and Repairs - Communication Equipment	125	-	-	-
Maintenance and Repairs - Office Equipment	100	-	-	-
Maintenance and Repairs - Building and Facilities	1,200	2,080	2,080	-
Maintenance and Repairs - Vehicles	1,075	783	782	1
Total Contracted Services	239,439	247,248	246,943	305
Supplies and Materials				
Small Equipment Purchases	5,000	4,700	4,698	2
Office Supplies	4,000	3,600	3,513	87
Postage	500	359	358	1
Custodial Supplies	4,000	4,050	4,042	8
Data Processing Supplies	1,000	2,166	2,166	-
Uniforms and Shirts	2,500	1,972	1,971	1
Utilities - Electric	24,000	20,291	20,290	1
Utilities - Gas	2,200	2,703	2,702	1
Utilities - Water	4,000	3,850	3,819	31
Utilities - Phones	21,000	20,566	20,560	6
Total Supplies and Materials	68,200	64,257	64,119	138

(Continued)

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Under (Over)
	Original Budget	Final Budget		
OPERATING EXPENSES (CONTINUED)				
Other Charges				
Board Meeting Expenses	1,300	1,000	958	42
Insurance - Workers Compensation	8,500	5,500	5,164	336
Insurance - Equipment	105	100	100	-
Insurance - Liability	5,073	5,073	5,073	-
Insurance - Building and Contents	7,980	7,589	7,588	1
Insurance - Vehicles	1,775	1,777	1,777	-
Dues and Membership	1,600	1,515	1,515	-
Legal Notices	250	78	78	-
Public Education	1,000	767	766	1
Employee Testing and Exams	500	1,536	1,536	-
Premiums on Surety Bonds	3,600	3,556	3,556	-
Service Awards	1,000	995	994	1
Training Expenses	10,000	9,125	9,121	4
Travel Expenses	10,000	10,672	10,671	1
Internet Charges	4,200	3,643	3,643	-
Total Other Charges	<u>56,883</u>	<u>52,926</u>	<u>52,540</u>	<u>386</u>
Depreciation				
Depreciation Expense	135,000	165,000	162,252	2,748
Total Depreciation Expense	<u>135,000</u>	<u>165,000</u>	<u>162,252</u>	<u>2,748</u>
OPERATING INCOME (LOSS)	(1,603,050)	(1,575,666)	(1,462,036)	113,630
NONOPERATING REVENUES (EXPENSES)				
Contributions from Primary Government	793,803	644,999	645,000	(1)
Contributions from Other Government Agencies	738,570	590,000	590,000	-
TECB Grants	-	205,606	205,607	(1)
Revenue from Contracted Services	18,443	17,943	20,448	(2,505)
Miscellaneous Income	3,000	2,495	-	2,495
Interest Income	8,000	5,300	5,338	(38)
Total Nonoperating Revenues (Expenses)	<u>1,561,816</u>	<u>1,466,343</u>	<u>1,466,393</u>	<u>(50)</u>
INCREASE (DECREASE) IN NET POSITION	(41,234)	(109,323)	4,357	(113,680)
NET POSITION, JULY 1, 2014	2,405,686	2,405,686	2,346,517	59,169
PRIOR PERIOD ADJUSTMENT	-	-	(428,064)	428,064
NET POSITION, JULY 1, 2014, RESTATED	<u>2,405,686</u>	<u>2,405,686</u>	<u>1,918,453</u>	<u>487,233</u>
NET POSITION, JUNE 30, 2015	<u>\$ 2,364,452</u>	<u>2,296,363</u>	<u>1,922,810</u>	<u>373,553</u>

See Independent Auditors' Report.

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT -
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
ROSTER OF BOARD MEMBERS AND MANAGEMENT
For the Fiscal Year Ended June 30, 2015**

ROSTER OF BOARD MEMBERS

CHAIRMAN

Harmon Mathes

VICE CHAIRMAN

Ed Graybeal

SECRETARY/TREASURER

Mark Sirois

David Tomita

Dan Wheeley

Tommy Burleson

Greg Matherly

Nes Levotch

Mark Scott

ROSTER OF MANAGEMENT OFFICIALS

Bob McNeill

Director

Randall Lewis

Assistant Director

Janice Adams

Office Manager

See Independent Auditors' Report.

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

To the Board of Directors
Washington County Emergency
Communications District
Johnson City, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Washington County Emergency Communications District (the District), a component unit of Washington County, Tennessee, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Washington County Emergency Communications District's basic financial statements and have issued our report thereon dated November 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Washington 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Washington County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of Washington 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 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 Washington County Emergency Communications District's financial statements are free from 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.

Blackburn, Childers & Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 2, 2015

**WASHINGTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT-
A COMPONENT UNIT OF WASHINGTON COUNTY, TENNESSEE
SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2015**

Financial Statement Findings

There were no prior findings reported.