

McMinn County Emergency Communications District

**Financial Statements with Supplementary Information
Year Ended June 30, 2015**

with
Independent Auditors' Report

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

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Independent Auditors' Report

Board of Directors
McMinn County Emergency Communications District
Athens, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the McMinn County Emergency Communications District (the "District"), a component unit of McMinn 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 opinions 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 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.

J. Wesley Edmondson • Tim Royster • Jenny C. Raines • Michelle Herrell • Jennifer M. Blackwood

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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 3 through 6 and the schedule of pension funding progress for the OPEB plan, the schedule of changes in net pension liability and related ratios based on participation in the public employee pension plan of TCRS, and the schedule of contributions based on participation in the public employee pension plan of TCRS on pages 27 thru 29 are 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 supplementary information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, listed in the table of contents, is the responsibility of management and was derived from and relates 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 State of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015, on our consideration of the District's internal control over financial reporting and 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.

HG & A Associates), P.C.

Knoxville, Tennessee
November 16, 2015

McMinn County Emergency Communications District

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MANAGEMENT'S DISCUSSION and ANALYSIS

Our discussion and analysis of the McMinn County Emergency Communications District's (the "District") financial performance provides an overview of the District's activities for the year ended June 30, 2015. Please read it in conjunction with the District's financial statements, as listed in the table of contents.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of revenues, expenses and changes in net position provide information about the District as a whole and present a long-term view of the District's finances.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of this year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information about the District and about its activities that help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating.

CONDENSED STATEMENTS OF NET POSITION

The analysis below focuses on the net position and changes in net position of the District.

	<u>2015</u>	<u>2014</u>
Current assets	\$ 1,991,765	1,768,635
Noncurrent assets:		
Capital assets	908,721	981,891
Net pension asset	126,578	-
Deferred outflows of resources	<u>16,258</u>	<u>-</u>
	<u>\$ 3,043,322</u>	<u>2,750,526</u>
Current liabilities	\$ 27,636	26,782
Noncurrent liabilities	<u>7,603</u>	<u>5,683</u>
Total Liabilities	<u>35,239</u>	<u>32,465</u>
Deferred inflows of resources	<u>95,081</u>	<u>-</u>
Net position:		
Investment in capital assets	908,721	981,891
Unrestricted	<u>2,004,281</u>	<u>1,736,170</u>
Total net position	<u>2,913,002</u>	<u>2,718,061</u>
	<u>\$ 3,043,322</u>	<u>2,750,526</u>

The increase in deferred outflows of resources, net pension asset, and deferred inflows of resources resulted from the implementation of GASB 68 reporting requirements for the District's participation in the State of Tennessee's pension program. The adoption of this new standard took effective July 1, 2014, thus the information was not available for the 2014 comparative reported numbers. The District's net position increased by approximately 7.2% during the current year while unrestricted net position, the part of the net position that can be used to finance day-to-day operations, increased by approximately 15.4%.

Revenues, Expenses and Changes in Net Position are as follows:

**CONDENSED STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

	<u>2015</u>	<u>2014</u>
Revenues:		
Emergency telephone charges	\$ 66,540	141,477
TECB shared wireless charges	87,045	177,875
TECB operational and other funding	111,210	188,916
TECB base level funding	<u>291,240</u>	<u>-</u>
Total operating revenues	556,035	508,268
Total operating expenses	<u>1,154,447</u>	<u>1,151,460</u>
Operating loss	(598,412)	(643,192)
Non-operating revenues	<u>774,321</u>	<u>772,564</u>
Change in net assets	<u>175,909</u>	<u>129,372</u>
Net position – beginning of year	2,718,061	2,588,689
Prior period adjustment – adopt new pension standards	<u>19,032</u>	<u>-</u>
Net position, beginning of year, as restated	<u>2,737,093</u>	<u>2,588,689</u>
Net position – end of year	\$ <u>2,913,002</u>	<u>2,718,061</u>

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

	<u>2015</u>	<u>2014</u>
Emergency telephone surcharges	5.0%	11.1%
State of Tennessee shared wireless fee	6.5%	13.9%
TECB operational and other funding	8.4%	14.8%
TECB base level funding	21.9%	-
Contributions from McMinn County Government	28.3%	28.8%
TECB – grants and reimbursements	-	3.0%
Contributions from other local governments and agencies	27.5%	27.1%
Pension income	0.9%	-
Interest income	0.2%	0.1%
Rental income	<u>1.3%</u>	<u>1.2%</u>
Total funding	<u>100.0%</u>	<u>100.0%</u>

Total operating revenues have increased by approximately \$48,000 due to the change in the funding structure for E911 districts in Tennessee beginning January 1, 2015. On that date the State of Tennessee took over the responsibility for collection of landline charges in addition to the wireless charge collections it was already performing for E911 districts. The State of Tennessee established a uniform 911 surcharge rate of \$1.16 for any device capable of calling 911. These funds collected by the State of Tennessee are then distributed to the E911 districts as a “base funding level”. Non-operating revenues were virtually unchanged (less than \$2,000) from the prior year non-operating revenues.

Operational costs for the District are \$1,154,447 for the fiscal year ended June 30, 2015, which was approximately a 0.3% increase from the prior year. The primary changes (over \$10,000) for the District from the prior fiscal year are: (1) increase in salaries and wages (primarily in overtime pay) of approximately \$24,000, (2) reduction in employee benefits of approximately \$29,000, (3) increase in contracted services (primarily in professional and consulting fees) of approximately \$27,000 and (4) reduction in depreciation expense of approximately \$12,000.

CAPITAL ASSETS

At the fiscal year ended June 30, 2015, the District had \$908,721 in capital assets, a decrease of 7.5% from last year’s balance of \$981,891. This change is related to the (1) new heat and air unit for the Athens building at a cost of \$14,170, (2) upgrades to communications equipment at a cost of \$8,375, (3) costs of \$35,854 incurred in regard to its building addition construction project in Athens and (4) less the current year depreciation expense of approximately \$132,000. Additional information concerning the capital assets of the District can be found on page 26 of this report.

DEBT

At the fiscal year end, the District had no outstanding debt and does not anticipate the need for issuing any debt in the next fiscal year.

BUDGETS

The original budget was approved in June 2014 for the fiscal year ended June 30, 2015. There were several changes to the original budget regarding expense accounts. The board approved these changes to distribute budgeted expenses from accounts which had fewer expenses than expected to accounts which had more expenses than originally expected.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The most significant factor impacting the District's future budget plans are (1) the base funding level allocation from the State of Tennessee that takes over the previous landline and wireless charge collections method for operating revenues, (2) continued funding support by the County and local communities, and (3) the construction project for a new building in Athens at an estimated cost of \$1,251,000. The cost of this construction will be partially offset by funds available thru the State of Tennessee for capital improvements of approximately \$260,000.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general view of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Executive Director of the McMinn County Emergency Communications District, 1107 S. Congress Parkway, Athens, Tennessee 37303-2403.

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Statement of Net Position

June 30, 2015

Assets and Deferred Outflows of Resources

Current assets:	
Cash	\$ 1,972,904
Accounts receivable	18,861
Total current assets	<u>1,991,765</u>
Noncurrent assets:	
Capital assets:	
Land	134,557
Construction in progress	35,854
Capital assets being depreciated:	
Building and improvements	850,934
Equipment and furnishings	1,403,441
Vehicles	46,305
	<u>2,471,091</u>
Less: allowance for depreciation	<u>1,562,370</u>
	<u>908,721</u>
Net pension asset	<u>126,578</u>
Total assets	<u>3,027,064</u>
Deferred outflows of resources:	
Pension contributions after measurement date	<u>16,258</u>
Total assets and deferred outflows of resources	<u>\$ 3,043,322</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities:	
Accrued vacation pay	\$ 27,478
Due to McMinn County general fund	158
Total current liabilities	<u>27,636</u>
Noncurrent liabilities:	
Other net postemployment benefit liability	<u>7,603</u>
Total liabilities	<u>35,239</u>
Deferred inflows of resources:	
Pension other deferrals	<u>95,081</u>
Net position:	
Investment in capital assets	908,721
Unrestricted	2,004,281
Total net position	<u>2,913,002</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,043,322</u>

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

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2015

Operating revenue:	
Emergency telephone surcharges	\$ 66,540
TECB shared wireless charge	87,045
TECB operational and other funding	111,210
TECB distribution of 911 surcharges (base amount)	291,240
	<u>556,035</u>
Operating expenses:	
Salaries and wages	663,822
Employee benefits	162,230
Contracted services	113,265
Supplies and materials	43,061
Depreciation	131,569
Other charges	40,500
Total operating expense	<u>1,154,447</u>
Operating loss	<u>(598,412)</u>
Nonoperating revenue:	
Rent - office space	17,250
Interest income	2,262
Contributions from primary government	376,802
Contributions from other governments and agencies	365,542
Pension income	12,465
Total nonoperating revenue	<u>774,321</u>
Change in net position	<u>175,909</u>
Total net position - beginning of year	2,718,061
Prior period adjustment (see Note 10)	19,032
Total net position - beginning of year - as restated	<u>2,737,093</u>
Total net position - end of year	<u>\$ 2,913,002</u>

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

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Statement of Cash Flows

For the Year Ended June 30, 2015

Cash flows from operating activities:	
Cash received from customers	\$ 587,050
Cash payments for goods and services	(825,039)
Cash payments for employees and related benefits	<u>(211,323)</u>
Net cash used by operating activities	<u>(449,312)</u>
Cash flows from noncapital financing activities:	
Contributions from primary government	376,802
Contributions from other governments and agencies	365,542
Rent - office space	<u>17,250</u>
Net cash provided by noncapital financing activities	<u>759,594</u>
Cash flows used by capital and related financing activities:	
Acquisition of equipment	<u>(58,399)</u>
Cash flows provided by investing activities:	
Interest received	<u>2,262</u>
Net increase in cash	254,145
Cash - beginning of the year	<u>1,718,759</u>
Cash - end of the year	<u>\$ 1,972,904</u>

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Statement of Cash Flows (continued)

For the Year Ended June 30, 2015

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ <u>(598,412)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	131,569
Pension income	12,465
Changes in operating assets and liabilities:	
Decrease in accounts receivable	31,015
Increase in net pension asset	(107,546)
Increase in deferred outflows of resources	(16,258)
Increase in accrued vacation pay	1,013
Increase in other net postemployment benefit liability	1,920
Increase in deferred inflows of resources	95,081
Increase in due to McMinn County general fund	<u>(159)</u>
Total adjustments	<u>149,100</u>
Net cash used by operating activities	\$ <u><u>(449,312)</u></u>

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

McMINN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2015

1. Summary of Significant Accounting Policies

(a) Nature of Business

The McMinn County Emergency Communications District (the “District”), commonly referred to as E-911, was established to provide services under the Emergency Communications District Law, Tennessee Code Annotated, Chapter 86. The District was created by a resolution of the McMinn County Commissioners on December 19, 1988, after adoption by public referendum on November 8, 1988. Under its enabling legislation, the District is a municipality with powers of perpetual success but without any power to levy or collect taxes. Charges for services authorized shall not be considered as taxes. The powers of the District are vested in and exercised by a majority of the members of the board of directors of the District who are appointed by the District’s primary government.

The District is a component unit of McMinn County, Tennessee and the financial statements are presented in both the District’s separate financial report and within the McMinn County, Tennessee report. The District is considered a component unit of McMinn County, Tennessee as defined under the criteria set forth by the Governmental Accounting Standards Board because the District would be unable to issue debt without going through McMinn County, Tennessee.

(b) Basis of Accounting

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

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

The District reports its financial activities under the applicable provisions of GASB Statement 34, *Basic Financial Statements- and Management’s Discussion and Analysis – for State and Local Governments*. This statement establishes standards for external reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net position groups:

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2015

1. Summary of Significant Accounting Policies (continued)

(b) Basis of Accounting (continued)

Investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by any payables that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the District pursuant to those stipulations or that expire by the passage of time. The District had no restricted net position as of June 30, 2015.

Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “investment in capital assets”.

(c) Receivables

Accounts receivable which are deemed uncollectible based upon a periodic review of the accounts are charged to revenue. At June 30, 2015, no allowance for uncollectible accounts was considered necessary. The accounts receivable balance of \$18,861 primarily represents the June 2015 contracted amount with the City of Athens for the District to provide annual dispatch services.

(d) Capital Assets

Capital assets, which consist of property and equipment, are defined as assets with an initial, individual cost of more than \$1,000 and an estimated life in excess of two years. Such assets are stated at historical cost, less accumulated depreciation computed on the straight-line method over their estimated useful lives as follows: buildings - forty years; equipment, furnishings and vehicles - five to seven years; building improvements - twenty-five years. When assets are retired or otherwise disposed of, the average cost is removed from the asset account and the accumulated depreciation account. Removal cost, less any salvage value, is charged or credited to the accumulated depreciation account. The cost of maintenance and repairs is charged to earnings as incurred.

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2015

1. Summary of Significant Accounting Policies (continued)

(e) Compensated Absences

The District has adopted the policy of McMinn County, Tennessee, which permits its employees to accumulate, in varying amounts, earned but unused vacation and sick pay benefits. Annual vacation time accrues at a rate of ½ day per month during the first twelve months of employment, one day per month for employment years two through ten and at one day and a half for each year thereafter. Employees cannot accumulate time in excess of 24 days.

All accumulated vacation time is paid to employees unless they are terminated for cause. Sick leave accrues at the rate of ½ day per month, during the first five years of continuous employment and increases to one day per month in the sixth year. There are no limits on the amount of sick leave that can be accumulated, but no payment is made to employees for unused sick leave unless they meet the requirements for retirement incentives. This retirement incentive is met when an employee meets the requirement under the Tennessee Consolidated Retirement System of a full service retirement. For those employees meeting that requirement, payment for unused sick leave will be paid at the rate of one-half the minimum substitute teacher pay paid by the McMinn County Board of Education.

\$27,478 has been recorded as accrued vacation pay for this reporting period.

(f) 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.

(g) Use of Restricted/Unrestricted Net Position

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

(h) Tax Status

Because the District was incorporated as a political subdivision under the Tennessee Emergency Communications District Law, it is exempt from federal income taxes.

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2015

1. Summary of Significant Accounting Policies (continued)

(i) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

(j) Pension

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 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.

(k) Impact of Recently Issued Accounting Pronouncements

During the fiscal year ended June 30, 2015, the District implemented GASB Statements No. 67, *Financial Reporting for Pension Plans – An Amendment to GASB Statement No. 25*, and No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*. The requirements of these new standards and their effect on the financial statements are more fully explained in Notes 6 and 10.

During the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. This statement requires the District to record pension contributions after the measurement date to be recorded as a deferred outflow of resources. The effect on the District's financial statements is an increase in deferred outflows of resources of \$16,258 for the amount paid after the measurement date.

McMINN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2015

2. Budgetary Control

The District's Board approves the annual budget prepared by the E-911 Director based upon anticipated revenues and estimated operating expenses. In accordance with the level of control established by the Tennessee Comptroller of the Treasury, operating expenses may not exceed the amount budgeted in each line item. The District does not budget depreciation, as its intent is to budget the use of anticipated, available resources. It does, however, budget for acquisitions of certain capital assets. Budgeted expenses may be amended, as needed to meet changing needs.

3. Cash

In September 1989, the members of the District's board of directors voted to have the McMinn County, Tennessee finance department handle the accounting functions of the District. Therefore, the McMinn County Trustee collects funds for the District and invests those funds to maximize interest earnings, less the appropriate Trustee commission for collection of the funds. The McMinn County office of the Director of Finance is responsible for the accounting function of the District's activities.

Custodial credit risk for the District's deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2015, the Trustee maintains the \$1,972,904 balance in commingled accounts with other McMinn County funds. As required by state statutes, the Trustee is following the District's policy requiring financial institutions holding its deposits to be members of the Tennessee Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. At June 30, 2015 none of the District's funds held by the Trustee was exposed to credit risk.

4. Revenue

Through December 31, 2014, the District's primary sources of revenues were from surcharges imposed on McMinn County telephone services (net of administrative fees paid to the telephone companies) and from surcharges imposed on cell phone services, which are collected and disbursed by the Tennessee Emergency Communications Board. Effective January 1, 2015, any device that has the capability of calling 911 is charged a uniform 911 surcharge rate of \$1.16. These charges are collected through the State of Tennessee and then distributed to E911 district's as a base funding level. The current base funding level for the District is a bi-monthly payment of \$97,080.

McMINN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Notes to Financial Statements
June 30, 2015

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. In order to minimize its costs, the District insures itself against potential losses associated with these risks through the purchase of commercial insurance. There were no significant reductions in limits of liability or coverage of insurance policies in effect during 2015 from those in effect in 2014 and 2013. In addition, there have been no losses in excess of insurance coverage during the past three fiscal years.

6. Employee Retirement Plan

Plan Description

Certain 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. At June 30, 2015 the District's participation in this Plan is through the District's limited association with McMinn County Government. Effective July 1, 2015 the District is being required by TCRS to establish a plan separate from McMinn County Government. 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

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2015

6. Employee Retirement Plan (continued)

Benefits Provided (continued)

second 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.

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	1
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>12</u>
	<u>13</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The District makes employer contributions at the rate set by the Board of Trustees as determined by the actuarial valuation. For the year ended June 30, 2015, employer contributions for the District were \$16,258 based on a rate of 6.07% 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 amortized portion of any unfunded liability.

Net Pension Liability (Asset)

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

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2015

6. Employee Retirement Plan (continued)

Actuarial assumptions.

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

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

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 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 at 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:

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2015

6. Employee Retirement Plan (continued)

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

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

Discount rate.

The discount rate used to measure the total pension liability was 7.5 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.

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2015

6. Employee Retirement Plan (continued)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/13	\$ 1,119,356	1,120,671	(1,315)
Changes for the year:			
Service cost	24,858	-	24,858
Interest	83,526	-	83,526
Differences between expected and actual experience	(18,428)	-	(18,428)
Contributions - employer	-	17,717	(17,717)
Contributions - employee	-	14,592	(14,592)
Net investment income	-	183,379	(183,379)
Benefit payments, including refunds of employee contributions	(61,059)	(61,059)	-
Administrative expense	-	(469)	469
Net changes	28,897	154,160	(125,263)
Balance at 6/30/14	\$ 1,148,253	1,274,831	(126,578)

Sensitivity of the net pension liability (asset) to changes in the discount rate.

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
McMinn E911 District's net pension liability (asset)	\$ 11,754	(126,578)	(241,528)

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2015

6. Employee Retirement 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 income of \$12,465.

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual Experience	\$ -	14,725
Net difference between projected and actual earnings on pension plan investments	-	80,356
Contributions subsequent to the measurement date of June 30, 2014	<u>16,258</u>	<u>-</u>
Total	<u>\$ 16,258</u>	<u>95,081</u>

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

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2015

6. Employee Retirement Plan (continued)

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	\$	(23,766)
2017		(23,766)
2018		(23,766)
2019		(23,766)
2020		-
Thereafter		-

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

Payable to Pension Plan

At June 30, 2015, the District did not report a payable for any outstanding amount of employer contributions to the Plan required for the year ended June 30, 2015 since all contributions were paid prior to year-end.

7. Other Postemployment Benefits (OPEB)

In addition to the pension benefits described above, certain District employees are also eligible to participate in the McMinn County's single-employer defined benefit healthcare plan. The County has adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. That statement addresses how governments should account for and report their costs and obligations related to postemployment healthcare and other pension and other non-pension benefits. Below is the information in regards to the District's participation in the Plan.

Plan Description

In addition to providing pension benefits, the County provides a portion of the health care benefits for certain retired employees under a single-employer defined benefit healthcare plan. Those with 30 years of service with 10 of those years with McMinn County are eligible for a reimbursement of \$2,000 for 5 years or until they are Medicare eligible, if earlier. In addition, a retiree must have met the age requirement of 55 years with 10 years of service with McMinn County to be eligible for the County's health insurance until they are Medicare eligible and must pay 100 percent of the premium. A stand-alone financial report for that plan is not issued.

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2015

7. Other Postemployment Benefits (OPEB) (continued)

The County is reimbursed by the retirees using a formula based on date of retirement, years of service, and the County's computed cost for active employees. During the fiscal year ended June 30, 2015, the County made no contributions for health care benefits. The County will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the County will not fund the remaining portion of the annual required contribution.

Annual OPEB Cost and Net OPEB Obligation

The County's annual 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Based on the last available actuarial valuation at July 1, 2014, the following table shows the components of the District's portion of the County's annual OPEB cost, the amounts contributed to the Plan, and changes in the net OPEB obligation.

Annual required contribution	\$ 1,987
Interest on net OPEB obligation	227
Adjustment to annual required contribution	<u>(268)</u>
Annual OPEB cost	1,946
Contributions made	<u>(26)</u>
Increase in net OPEB obligation	1,920
Net OPEB obligation – beginning of year	<u>5,683</u>
Net OPEB obligation – end of year	\$ <u><u>7,603</u></u>

The District's portion of the County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last available valuation was as follows:

Annual OPEB cost	\$ 1,987
Percentage of annual OPEB cost contributed	0.00%
Net OPEB obligation	\$ 7,603

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2015

7. Other Postemployment Benefits (OPEB) (continued)

Funding Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the County's Plan was 0% funded. The actuarial accrued liability for benefits was \$10,062, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,062. The County will make payments in amounts sufficient to cover benefits paid and administrative costs; however, the County will not fund the remaining portion of the annual required contribution.

Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends.

Amounts determined regarding the funded status of the Plan and the annual required contributions of the County and Plan members are subject to continued 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over the time relative to the actuarial accrued liabilities.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit costs between the County and Plan members at 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.

In the July 1, 2014 valuation for the Plan, the entry age normal cost method and a funding rate of 4 percent was used. Other key assumptions were: 2014 trend rates – medical of 8%, ultimate medical cost trend rate of 5%, projected annual increase in payroll of 2.5%, UAAL amortization period of 30 years and 2020 as the year the ultimate medical trend rate is reached.

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Notes to Financial Statements
June 30, 2015

8. Capital Assets

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

<u>Cost</u>	<u>July 1, 2014</u>	<u>Additions</u>	<u>Transfers</u>	<u>June 30, 2015</u>
Land	\$ 134,557	-	-	134,557
Construction in progress	-	35,854	-	35,854
	<u>134,557</u>	<u>35,854</u>	<u>-</u>	<u>170,411</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	836,764	14,170	-	850,934
Equipment and furnishings	1,395,066	8,375	-	1,403,441
Vehicles	46,305	-	-	46,305
	<u>2,278,135</u>	<u>22,545</u>	<u>-</u>	<u>2,300,680</u>
<u>Accumulated Depreciation</u>				
Buildings and improvements	269,492	25,996	-	295,488
Equipment and furnishings	1,115,004	105,573	-	1,220,577
Vehicles	46,305	-	-	46,305
	<u>1,430,801</u>	<u>131,569</u>	<u>-</u>	<u>1,562,370</u>
Total; capital assets being depreciated, net	847,334	(109,024)	-	738,310
Capital assets, net	<u>\$ 981,891</u>	<u>(73,170)</u>	<u>-</u>	<u>908,721</u>

9. Subsequent Events

The District has evaluated events and transactions subsequent to the balance sheet date through November 16, 2015, which is the date the financial statements were available to be issued. Based on that evaluation the following item is disclosed – at the September 3, 2015 meeting the Board approved bids totaling \$1,251,000 for the construction of a new E911 Center on property it owns next to its current Athens location.

10. Prior Period Adjustment

During 2015 the District adopted GASB Statements No. 67, *Financial Reporting for Pension Plans – An Amendment to GASB Statement No. 25*, and No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, which requires the District to recognize a net pension liability on the statement of net position. See Note 6 for additional information about the District's pension plan.

As a result of adopting GASB Statements No. 67 and No. 68, the District has recorded a prior period adjustment to the unrestricted net position as of July 1, 2014 of \$19,032 which increased the beginning net position from \$2,718,061 to \$2,737,093.

Required Supplementary Information

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Required Supplementary Information
June 30, 2015

Schedule of Funding Progress for the OPEB Plan

Actuarial Valuation Date July 1	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)
2014	\$ -	10,062	10,062	0.00%	\$ Not available	Not available
2012	-	8,041	8,041	0.00%	Not available	Not available
2010	-	6,087	6,087	0.00%	Not available	Not available

(only actuarial evaluations available to date for the District)

See independent auditors' report.

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

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	\$	24,858
Interest		83,526
Changes in benefit items		-
Differences between actual and expected experience		(18,428)
Change of assumptions		-
Benefit payments, including refunds of employee contributions		(61,059)
Net change in total pension liability		28,897
Total pension liability - beginning		1,119,356
Total pension liability - ending (a)	\$	1,148,253
 Plan fiduciary net position		
Contributions - employer	\$	17,717
Contributions - employee		14,592
Net investment income		183,379
Benefit payments, including refunds of employee contributions		(61,059)
Administrative expense		(469)
Net change in plan fiduciary net position		154,160
Plan fiduciary net position - beginning		1,120,671
Plan fiduciary net position - ending (b)	\$	1,274,831
 Net pension liability (asset) - ending (a) - (b)	\$	(126,578)
 Plan fiduciary net position as a percentage of total pension liability		111.02%
 Covered - employee payroll	\$	354,359
 Net pension liability (asset) as a percentage of covered - employee payroll		-35.72%

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

See independent auditors' report.

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
Last Fiscal Year Ending June 30

		2014
Actuarially determined contribution	\$	17,717
Contributions in relation to the actuarially determined contribution		17,717
Contribution deficiency (excess)	\$	-
Covered - employee payroll	\$	354,359
Contributions as a percentage covered - employee payroll		5.00%

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

Notes to schedule

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

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	1 year
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	3.00%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment Rate of Return	7.5%, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.50%

See independent auditors' report.

Supplementary Information

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

**Schedule of Revenues and Expenses Compared to Budget
For the Year Ended June 30, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Emergency telephone surcharges	\$ 128,000	66,540	(61,460)
TECB shared wireless charge	146,000	87,045	(58,955)
TECB operational and other funding	185,000	111,210	(73,790)
TECB distribution of 911 surcharges (base amount)	-	291,240	291,240
	<u>459,000</u>	<u>556,035</u>	<u>97,035</u>
Operating expenses:			
Salaries and wages:			
Director	68,317	68,240	77
Administrative personnel	61,000	55,448	5,552
Dispatchers	440,200	413,920	26,280
Overtime pay	56,000	54,167	1,833
Part-time personnel	73,000	72,047	953
	<u>698,517</u>	<u>663,822</u>	<u>34,695</u>
Employee benefits:			
Social security and medicare	51,000	50,206	794
Life insurance	2,000	1,256	744
Medical insurance	95,000	91,995	3,005
Unemployment compensation	4,000	3,452	548
Retirement contributions	35,000	-	35,000
Other postemployment benefits	35,000	15,321	19,679
	<u>222,000</u>	<u>162,230</u>	<u>59,770</u>
Contracted services:			
Addressing/mapping	3,000	2,488	512
Advertising	3,500	802	2,698
Audit services	6,500	6,500	-
Other professional services	100,000	35,854	64,146
Fees paid to service providers	40,000	26,746	13,254
Janitorial services	6,000	5,341	659
Legal services	1,800	1,550	250
Maintenance agreements	30,000	21,455	8,545
NCIC/TBI/TIES	10,000	5,161	4,839
Consultant fees	30,000	28,925	1,075
Pest control	400	300	100
Lease/rental:			
Office equipment	1,500	776	724

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget (continued)

For the Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Contracted services (continued):			
Maintenance and repairs:			
Communications equipment	\$ 5,100	4,676	424
Facilities	20,500	20,071	429
Office equipment	1,000	-	1,000
Vehicles	2,000	517	1,483
Fuel	3,000	2,127	873
	<u>264,300</u>	<u>163,289</u>	<u>101,011</u>
Supplies and materials:			
Office	3,000	1,934	1,066
Custodial	2,700	2,600	100
Data processing	500	331	169
Postage	300	158	142
Small equipment purchases	11,100	11,059	41
Uniforms	2,000	1,237	763
Utilities:			
Electric	20,800	18,822	1,978
Gas	1,500	676	824
Water	1,600	1,400	200
General telephone	9,700	9,668	32
Cellular phone	3,600	3,551	49
	<u>56,800</u>	<u>51,436</u>	<u>5,364</u>
Other charges:			
Bank charges	12,000	11,544	456
Board meetings	1,500	1,473	27
Dues and memberships	1,000	631	369
Employee testing	700	665	35
Insurance:			
Workers' compensation	1,500	1,323	177
Liability	12,000	11,022	978
Legal notices	250	-	250
Training	8,000	3,082	4,918
Travel	8,000	6,251	1,749
Other	12,183	4,509	7,674
	<u>57,133</u>	<u>40,500</u>	<u>16,633</u>
Total operating expenses	<u>1,298,750</u>	<u>1,081,277</u>	<u>217,473</u>
Excess of operating expenses over operating revenues	<u>(839,750)</u>	<u>(525,242)</u>	<u>314,508</u>

(continued)

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Revenues and Expenses Compared to Budget (continued)

For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Nonoperating revenues:			
Rent - office space	\$ 15,000	17,250	2,250
Interest	300	2,262	1,962
Contributions from primary government	376,802	376,802	-
Contributions from other governments and agencies	353,542	365,542	12,000
Pension income	-	12,465	12,465
Total nonoperating revenues	<u>745,644</u>	<u>774,321</u>	<u>28,677</u>
Excess of revenues over (under) expenses	\$ <u>(94,106)</u>	249,079	<u>343,185</u>
Adjustments to agree with financial statement - "Statement of Revenues, Expenses and Changes in Net Position":			
Expenses unbudgeted:			
Depreciation		(131,569)	
Capital equipment payments		<u>58,399</u>	
Change in net position		<u>\$ 175,909</u>	

See independent auditors' report.

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Schedule of Insurance in Force

June 30, 2015

<u>Description</u>	<u>Coverage</u>
Property:	
Risks of Direct Physical Loss Subject to Normal Conditions and Exclusions:	
Business personal property - \$250 property deductible;	
\$1,000 flood deductible:	
Real property - Athens, TN	\$ 750,121 limit
Real property - Etowah, TN (Guaranteed replacement cost)	351,698 limit
Personal property - Athens, TN	632,659 limit
Personal property - Etowah, TN (Replacement cost)	379,595 limit
Software	250,000 limit
Money and securities	30,000 limit
Crisis incident response	25,000 limit
Extra expense	Actual expense incurred
Loss of income	Actual loss sustained
Automobile Liability:	
Liability - any auto	1,000,000
Uninsured/underinsured motorists	300,000
Medical payments	5,000
General Liability:	
General aggregate limit	2,000,000
Products/completed operations aggregate limit	2,000,000
Personal and advertising injury each occurrence limit	1,000,000
Fire damage legal liability (any one fire)	1,000,000
Each occurrence or medical incident limit	1,000,000
Medical expense limit (any one person)	5,000
Management Liability:	
Each claim limit (injunctive relief)	50,000
(each wrongful act)	1,000,000
Annual aggregate limit	2,000,000
Cyber Liability and Privacy Crisis Management:	
Cyber liability limit (each electronic security event)	1,000,000
Privacy crisis management event/aggregate limit	50,000

See independent auditors' report.

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**

Roster of Officials

June 30, 2015

Board of Directors

Mike Jones - Chairman
Joe Riley - Vice Chairman
Murray Willis - Secretary
Russ Duggan - Treasurer
Scott Curtis
Mark Lowry
Harold Masengil
Chris Webb

Management

Marvin Kelley - E911 Director

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

The Board of Directors
McMinn County Emergency Communications District
Athens, 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 McMinn County Emergency Communications District (the "District"), 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 and have issued our report thereon dated November 16, 2015.

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 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 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.

HG & A Associates, P.C.

Knoxville, Tennessee
November 16, 2015

**McMINN COUNTY EMERGENCY
COMMUNICATIONS DISTRICT**
Schedule of Prior Year Findings
Year Ended June 30, 2015

There were no prior year audit findings reported.