SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Huntsville, Tennessee

Financial Statements

June 30, 2015

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Introductory Section

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT

ROSTER OF THE BOARD OF DIRECTORS

June 30, 2015

Name	**Position**
Wayne Shoemaker	Part-Time Director
Robert Melhorn	Chairman
Larry Lay	Vice-Chairman
Hertis Phillips	Member
Kenny Chadwell	Member
Roger Bridges	Member
Ted Carson	Member
Jim Reed	Member

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of The Scott County Emergency Communications District financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015.

FINANCIAL HIGHLIGHTS

The District's net position increased by $124,196 as a result of this year's operations. All of this increase is treated as business-type increases.

During the year, the District had revenues of $ 379,937, interest income of $ 6,681, and expenses of $ 262,422. Prior year revenues were $ 364,804, a increase of $ 21,814, due mainly from a reimbursement for a new vehicle purchased during the current year. Interest income decreased by $ 1,457 and expenses increased from $ 261,913 to $ 262,422, a difference of $ 509.

We believe this profit of $ 124,196 will be necessary for additional equipment and upgrades during the next few years.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position, the Statement of Revenue and Expenses and Change in Net Position, and the Statement of Cash Flows. The Statement of Revenue and Expenses - Actual and Budget shows the budget and budget amendments and variances for the year.

REPORTING THE DISTRICT AS A WHOLE

Our analysis of the District, one of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps 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.

The District receives a fee that the local telephone company adds to the phone bills of the customers within the district and passes on to the district. However, effective January 1, 2015, the fees are now being sent to the State of Tennessee and then disbursed to the District. In addition, the State of Tennessee Emergency Communications collects funds from wireless customers through the various wireless vendors and shares these funds with the local emergency communications districts in the form of commissions and grants.

THE DISTRICT AS A WHOLE

The District's net position increased from a year ago, increasing from $ 1,561,214 to $ 1,685,410. This business-type activity shows a 7.96% increase for the year.

The District's total revenues increased by 4.48 % over the prior year. This increase is primarily the result of the vehicle reimbursement grant received in 2015 and an increase in interest income.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Budget was amended during the year.

Table I
SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Balance Sheets
June 30, 2015

	2014	2015	Increase (Decrease)
Assets			
Current Assets			
Cash in Bank	$ 240,617	$ 392,967	$ 152,350
Investments	1,165,071	1,171,444	6,373
Accounts Receivable	17,004	453	(16,551)
Prepaid Insurance	5,354	6,420	1,066
Total Current Assets	1,428,046	1,571,284	143,238
Fixed Assets			
Equipment	381,461	393,242	11,781
Less Accumulated Depreciation	(230,638)	(254,597)	(23,959)
Net Fixed Assets	150,823	138,645	(12,178)
Total Assets	**1,578,869**	**1,709,929**	**131,060**
Total Deferred Outflow of Resources	-	**29,675**	29,675
Total Assets and Deferred Outflow of Resources	**1,578,869**	**1,739,604**	**160,735**
Liabilities			
Current Liabilities	**18,939**	**20,524**	**1,585**
Noncurrent Liabilities	-	**26,957**	**26,957**
Total Deferred Inflow of Resources	-	**6,713**	**6,713**
Net Position	**1,559,930**	**1,685,410**	**125,480**
Total Liabilities & Net Position	**1,578,869**	**1,739,604**	**160,735**

Table II
Income Statement
June 30, 2014

	2014	2015	Increase (Decrease)
Revenue			
Telephone Service Charges	84,561	41,059	(43,502)
Shared Wireless Charges	66,253	21,286	(44,967)
Operational Funding	142,860	271,329	128,469
Other Revenue	71,130	46,263	(24,867)
Interest Income	5,224	6,681	1,457
Total Revenue	**370,028**	**386,618**	**16,590**
Expenses			
Salaries and Wages	57,527	56,913	(614)
Benefits	21,758	24,578	2,820
Contracted Services	93,149	99,453	6,304
Supplies, Maintenance and Repairs	21,795	18,638	(3,157)
Supplies and Materials	-	-	-
Utilities	-	-	-
Other Charges	12,836	14,381	1,545
Depreciation	53,532	48,459	(5,073)
Total Expenses	**260,597**	**262,422**	**1,825**
Increase (Decrease) in Net Position	**109,431**	**124,196**	**14,765**
Net Position - Beginning	1,451,783	1,561,214	109,431
Net Position - Ending	**$ 1,561,214**	**$ 1,685,410**	**$ 124,196**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had $ 138,645, invested in capital assets, automobiles, office equipment, communications and mapping equipment.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's appointed officials considered many factors when setting the fiscal-year 2015 budget. In the case of an emergency communications district the revenue is estimated from local telephone use, funds available from the State of Tennessee Emergency Communications Board and interest income. From this the wage scale of employees can be determined along with the level of benefits that can be purchased for their benefit. Capital expenditures are planned along with all other goods and services necessary to run the district's operation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's office at Huntsville, Tennessee or call our office at 423-663-4836.

Financial Section

Dennis E. Jeffers
Certified Public Accountant
A Member of the American Institute of Certified Public Accountants
18707 North Alberta Street
Oneida, Tennessee 37841
(423) 569-6969

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Scott County Emergency Communications District
Huntsville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Scott County Emergency Communications District, a component unit of Scott 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.

Auditor's 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 of 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Scott County Emergency Communications District as of June 30, 2015, and the 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.

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 2 - 4 and the schedules of supplementary information on pages 21 - 23 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 opinions on the financial statements that collectively comprise the Scott County Emergency Communications District's basic financial statements. The introductory section and miscellaneous section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state awards and the supplemental information are presented for purposes of additional analysis, and is also not a required part of the basic financial statements.

The schedule of expenditures of state awards and the supplemental information are the responsibility of management and were derived from and related 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 schedule of expenditures of state awards and the supplemental information are fairly stated in all material respects in relation to the financial statements as a whole.

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

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

Dennis E Jeffers, CPA, P.C.

Oneida, Tennessee
November 16, 2015

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 392,967
Investment (certificate of deposit with 12 month maturity)	1,171,444
Accounts Receivable	453
Prepaid Insurance	6,420
Total Current Assets	1,571,284
Noncurrent Assets	
Vehicles	36,281
Office Equipment	116,102
Communications Equipment	240,859
Total Capital Assets	393,242
Accumulated Depreciation	(254,597)
Capital Assets Net	138,645
Total Assets	**1,709,929**
Deferred Outflow of Resources	
Deferred Amount on Pension	29,675
Total Deferred Outflow of Resources	**29,675**
Total Assets and Deferred Outflow of Resources	**1,739,604**
LIABILITIES	
Compensated Absences	19,319
Payroll Liabilities	1,205
Total Current Liabilities	**20,524**
Noncurrent Liabilities	
Net Pension Liability	26,957
TOTAL LIABILITIES	**47,481**
Deferred Inflow of Resources	
Pension Other Deferrals	6,713
Total Deferred Inflow of Resources	**6,713**
NET POSITION	
Investments in Capital Assets	138,645
Unrestricted	1,546,765
TOTAL NET POSITION	**1,685,410**
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	**$ 1,739,604**

The Notes to the Financial Statements are an Integral Part of These Statements.

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

OPERATING REVENUE	
Emergency Telephone Service Charges	$ 41,059
Tennessee Emergency Communications Board-State Wireless Charge	21,286
Tennessee Emergency Communications Board -Operational Funding	271,329
TOTAL OPERATING REVENUE	**333,674**
OPERATING EXPENSES	
Salaries and Wages	
Director	15,600
Administrative Personnel	28,642
Other Wages Mapping	10,000
Overtime Pay	1,022
Compensated Absences	1,649
	56,913
Employee Benefits	
Social Security	3,426
Medicare	801
Medical Insurance	13,059
Retirement	7,292
	24,578
Contracted Services	
Audit Services	4,000
Legal Services	4,200
Contract with Government Agencies	48,000
Fees Paid to Service Providers	25,946
Maintenance Agreement	17,307
	99,453
Supplies, Materials and Maintenance	
Office Supplies	1,665
Postage	253
Uniforms and Shirts	600
Utilities-Gas	132
Utilities-General Telephone	3,791
Utilities-Cell Phone and Pager	1,691
Utilities-Wireless Line Charges	5,435
Maintenance and Repairs-Office Equipment	3,615
Maintenance and Repairs-Vehicles	1,456
	18,638

The Notes to Financial Statements are an Integral Part of These Statements.

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position (Continued)
For the Year Ended June 30, 2015

Other Charges		
Bank Charges	$	56
Board Meeting		409
Dues and Memberships		2,189
Insurance-Worker's Compensation		421
Insurance-Liability		6,008
Insurance-Vehicles		833
Public Education		281
Employee Training		1,069
Travel Expense		2,819
Advertising		188
Other Charges		108
		14,381
Depreciation		**48,459**
Total Operating Expenses		**262,422**
Operating Income (Loss)		**71,252**
Non-Operating Revenue (Expenses)		
Interest Income		6,681
TECB-Reimbursements and Grants		41,263
Gain on Disposal of Equipment		5,000
Total Non-Operating Revenue (Expenses)		**52,944**
Increase (Decrease) in Net Position		**124,196**
Net Position - Beginning of Period		1,559,930
Restatement (Note I)		1,284
Net Position - Beginning of Period after restatement		1,561,214
Net Position - End of Period	**$**	**1,685,410**

The Notes to Financial Statements are an Integral Part of These Statements.

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

Cash Flows From Operating Activities:	
Cash Received from Surcharges and Other Revenue	$ 332,608
Cash Payments to Suppliers for Goods and Services	(115,921)
Cash Paid for Payroll, Taxes and Related Benefits	(74,628)
Net Cash Provided By Operating Activities	**142,059**
Cash Flows From Noncapital Financing Activities	
Operating Grants & Reimbursements	41,263
Net Cash Provided by Noncapital Financing Activities	**41,263**
Cash Flows From Capital and Related Financing Activities	
Gain from Disposal of Capital Asset	5,000
Purchase of Capital Assets	(36,281)
Net Cash Provided by Capital and Related Activities	**(31,281)**
Cash Flows From Investing Activities:	
Interest Received	6,681
Investment in Certificates of Deposit	(6,374)
Net Cash Provided from Investing Activities	**307**
Net Increase (Decrease) in Cash and Cash Equivalents	**152,348**
Cash and Cash Equivalents at Beginning of Period	240,617
Cash and Cash Equivalents at End of Period	**392,965**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Net Income from Operating Activities	71,252
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	48,459
Change in Assets and Liabilities	
(Increase) Decrease in Prepaid Insurance	(1,066)
Increase (Decrease) in Payroll Taxes	(64)
Increase (Decrease) in Compensated Absences	1,649
(Increase) Decrease in Accounts Receivable	16,551
Increase (Decrease) in Pension Liability	28,240
Increase (Decrease) in Deferred Inflows	6,713
(Increase) Decrease in Deferred Outflows	(29,675)
Net Adjustments	70,807
Net Cash Provided by Operating Activities	**$ 142,059**

The Notes to Financial Statements are an Integral Part of These Statements.

1. Summary of Significant Accounting Policies:

The Financial Reporting Entity – The Scott County Emergency Communication District was formed under Tennessee Code Annotated Title 7 Section 86 Emergency Communications Districts. The district is a component unit of Scott County, Tennessee because the district is legally separate, the county court appoints the members of the board of directors of the district. The county court can impose its will on the district by the approval of new borrowings.

Method of Accounting – The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the District, the reporting entity. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Income Taxes – The District is exempt from Federal Income Taxes because of its creation by the Scott County Government.

Revenue – Operating revenues consist primarily from Highland Telephone Cooperative authorization to charge all customers who have access to 911 charge of $1.16 per month. As of June 30, 2015, the district had 5,480 customers and 1,235 business customers. These fees are collected by the State of Tennessee and then disbursed to the Emergency Communication Centers. Wireless communications income is from a share of state collected revenues from cell phone usage based upon population. All other revenues and expenses are reported as non-operating revenues and expenses.

Cash – The organization treats as cash; checking account balances, savings accounts, certificates of deposit with original maturities of less than three months and cash on hand.

Cash Management – Cash temporarily idle during the year was invested in a savings account and certificates of deposit. The certificates of deposit have maturities of 12 months. The Communications District earned $6,681 on all investments for the year ended June 30, 2015.

Deposits and Investments – All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure the debt of these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect these accounts that are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the purpose of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, the state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the entity. Scott County Emergency Communications District has an agreement with one bank for balances above FDIC limits.

The carrying value of the districts deposits were $1,564,409 and the bank balance was $1,577,078. Of that amount, $ 857,594 was insured by FDIC insurance, and the remainder was collateralized by a third party in the district's name.

Compensated Absences – It is the district's policy to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave since the district does not have a policy to pay any amount when employees separate from service with the district. Accumulated vacation pay is reported as expenditure and a liability of the fund when material and accumulated.

Capital Assets – Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 and an estimated life in excess of one year. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated assets are recorded at the estimated fair market value at the date of donation. The Straight Line method of depreciation is used to calculate depreciation over a five year period. Depreciation expense for the current year was $48,459. Although mapping expenses have a useful life of more than one year, the life is very difficult to measure. Mapping expenses, therefore, are treated as expenses as incurred.

Capital Assets

	Balances 6/30/2014	Additions	Dispositions	Balance 6/30/2015
Equipment				
Mapping Equipment	$ 116,102	-	-	$ 116,102
Communication Equipment	240,859	-	-	240,859
Vehicles	24,500	36,281	24,500	36,281
	381,461	36,281	24,500	393,242
Accumulated Depreciation				
Mapping Equipment	(104,770)	(4,357)	-	(109,127)
Communication Equipment	(101,368)	(40,647)	-	(142,015)
Vehicles	(24,500)	(3,455)	24,500	(3,455)
	(230,638)	(48,459)	24,500	(254,597)
Net Investment in Capital Assets	$ 150,823	(12,178)	49,000	$ 138,645

Risk Management -- The District is exposed to various risks of losses related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained commercial insurance to manage these risks. Management does not believe any claims will exceed the insurance amount. Software coverage is $ 250,000; auto coverage includes Collision and Comprehensive coverage with deductibles of $ 250 and $ 500 respectively, and general liability of $ 2,000,000 each occurrence and $ 5,000,000 aggregate with $ 5,000 medical payments. The settlements have not exceeded insurance amounts in the past three years.

Budgets -- Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end. On or before May 31 of each year, the proposed budget is prepared and presented to the board for review. The board adopts the budget and amends the budget throughout the year as needed.

The District is required by state statute to adopt the annual budget. The annual budget is prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Board of Directors and any authorized revisions. Unencumbered appropriations lapse at the end of each year.

The budgetary level of control is at the line-item level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee.

The Districts budgetary basis of accounting is on the modified cash basis. Reconciliation to GAAP is presented on the face of the budgetary schedule.

Net Position and Fund Balance – In the financial statements, equity is classified as net position and displayed in three components:

a) Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation.

b) Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) laws through constitutional provisions or enabling legislation.

b) Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

It is the District's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balances is available.

Restatement – In prior years, the District was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore a restatement to the District's beginning net position has been recognized o the statement of Activities totaling $1,284.

Use of Estimates -- The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could be different from those estimates.

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows or resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has items that qualify for reporting in this category. Accordingly, the items are reported in the Statement of Net Position. These items are for pension changes in experience, changes in pension proportionate share of contributions, as well as employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue, etc.) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the Statement of Net Position. These items are from pension changes in experience, and changes in pension investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 Scott County Emergency Communications District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Scott County Emergency Communications 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 the 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.

2. The Officers and Employees of the District Bonds

The District maintains an insurance policy against officers and employee forgery or alteration as required by TCA 7-86-119 with policy limits of $12,500; theft of money and securities with policy limits of $ 100,000; employee dishonesty with a policy limit of $250,000; and counterfeit United States or Canadian paper currency with a policy limit of $ 100,000.

3. General Information about the Pension Plan

Plan Description

Employees of Scott County Emergency Communications 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 entitle 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.

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	0
Active employees	1
	2

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. Scott County Emergency Communications District 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 Scott County Emergency Communications District were $2,012 based on a rate of 6.78 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Scott County Emergency Communications 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 (Asset)

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

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

Inflation	3.0 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 assumption 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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
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%
		100%

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 Scott Emergency Communications 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.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/13	$ 92,351	$ 92,681	$ (330)
Changes for the year:			
Service cost	3,667		3,667
Interest	7,087		7,087
Differeces between expected and actual experience	34,579		34,579
Contributions - employer		954	(954)
Contribution - employees		1,801	(1,801)
Net investment income		15,330	(15,330)
Benefit payments, including refunds of employee contributions	(3,036)	(3,036)	-
Administrative expense		(39)	39
Net Changes	42,297	15,010	27,287
			-
Balance at 6/30/14	$ 134,648	$ 107,691	$ 26,957

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Scott County Emergency Communications 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:

	6.5%	7.5%	8.5%
Scott County Emergency Communications District's Net pension liability (asset)	$ 50,505	$ 26,957	$ 7,858

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, Scott County Emergency Communications District recognized pension expense of $7,291.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Scott County Emergency Communications District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 27,663	$ -
Net difference between projected and actual earnings on pension plan investments		6,713
Contributions subsequent to the measurement date of June 30, 2014	2,012	-
Total	$ 29,675	$ 6,713

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.

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	$ 5,238
2017	5,238
2018	5,238
2019	5,238
2020	-
Thereafter	-

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

Payable to the Pension Plan

At June 30, 2015, Scott County Emergency Communications District reported a payable of $ 0 for the outstanding amount of contributions to the pension plan required at the year ending June 30, 2015.

Required Supplementary Information

SCOTT COUNTY EMERGENCY COMMUNICATONS DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

Schedule of Changes in Scott County Emergency Communications District's Net Pension Liability (Asset) and related Ratios Based on Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year ending June 30

Service cost	$	3,667
Interest		7,087
Changes in benefit terms		-
Differences between actual & expected experience		34,579
Change in assumptions		-
Benefit payments, including refunds of employee contributions		(3,036)
Net chage in total pension liability		42,297
Total pension liability-beginning		92,351
Total pension liability-ending (a)	$	134,648
Plan fiduciary net position		
Contributions-employer	$	954
Contributions-employee		1,801
Net investment income		15,330
Benefit payments, including refunds of employee contributions		(3,036)
Administrative expense		(39)
Net change in plan fiduciary net position		15,010
Plan fiduciary net position-beginning		92,681
Plan fiduciary net position-ending (b)	$	107,691
Net Pension Liability (asset)-ending (a)-(b)	$	26,957
Plan fiduciary net position as a percentage of total pension liability		79.98%
Covered-employee payroll	$	36,012
Net pension liability (asset) as a percentage of covered-employee payroll		74.86%

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.

Schedule of Scott County Emergency Communications District's Contributions Based on Participation in the Public Employee Pension Plan of TCRS Last Fiscal Year ending June 30

	2014	2015
Actuarially determined contribution	$ 954	$ 2,012
Contributions in relation to the actuarially determined contribution	954	2,012
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$ 36,012	$ 29,664
Contributions as a percentage covered-employee payroll	2.65%	3.85%

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 available.

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

Methods and assumption 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 percent corridor to Market value
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 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	2.5 percent

Supplementary Information

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES AND EXPENSES
ACTUAL AND BUDGET - (BUDGETARY BASIS) AND BUDGET
June 30, 2015

	Budget Amounts		Actual Revenues/ Expenditures (Budgetary)	Variance Favorable
	Original Budget	Final Budget	Actual	(Unfavorable)
INCOME				
Telephone Surcharge	$ 84,000	$ 84,000	$ 47,975	$ (36,025)
Wireless Commission	55,200	55,200	30,469	(24,731)
Emergency Communications Board Grants & Reimbursements	76,250	76,250	41,716	(34,534)
Operational Funding	142,800	142,800	271,329	128,529
Interest Income	6,000	6,000	6,681	681
Miscellaneous Income	-	-	5,000	5,000
Total Revenue	364,250	364,250	403,170	38,920
EXPENSES				
Director	16,764	16,764	15,600	1,164
Administrative Personal	28,660	28,660	28,642	18
Overtime Compensation	7,500	7,500	1,022	6,478
Dispatchers/Radio Operators	-	-	-	-
Social Security	4,000	4,000	3,426	574
Medicare	1,000	1,000	801	199
Compensated Absences	-	-	-	-
Medical Insurance	18,000	18,000	12,180	5,820
Dental Insurance	900	900	879	21
Retirement Contributions	3,000	3,000	2,236	764
Addressing and Mapping	10,000	10,000	10,000	-
Advertising	500	500	188	312
Auditing Services	4,000	4,000	4,000	-
Contract with Government Agencies	48,000	48,000	48,000	
Telephone Contract	29,000	29,000	25,946	3,054
Legal Services	4,800	4,800	4,200	600
Maintenance Agreement	20,000	20,000	17,307	2,693
Office Equipment Maintenance	7,000	7,000	3,615	3,385
Vehicle Maintenance	2,200	2,200	1,456	744
Office Supplies	2,450	1,900	1,665	235
Postage	400	400	253	147
Uniforms	600	600	600	-
Telephone	6,100	6,100	3,791	2,309
Utilities-Gas	500	500	132	368
Cell Phones and Pagers	1,700	1,800	1,691	109
Wireless Line Charges	5,500	5,500	5,435	65
Bank Charges	150	150	56	94
Board Meeting	1,000	1,000	409	591
Dues and Memberships	2,200	2,650	2,189	461
Insurance - Liability	10,000	10,000	8,328	1,672
Public Education	500	500	281	219
Training Expense	5,000	5,000	1,069	3,931
Travel Expense	7,000	7,000	2,819	4,181
Other Charges	1,000	1,000	110	890
Depreciation	57,413	57,413	-	57,413
Capital Improvements	57,413	57,413	36,281	21,132
Total Expenses	364,250	364,250	244,607	119,643
Cash Basis Net Income (Loss)	$ -	$ -	$ 158,563	$ (80,723)

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
RECONCILATION OF CASH BASIS TO ACCRUAL BASIS
June 30, 2015

Cash Basis Net Income	$ 158,563
Depreciation	(48,459)
Capital Purchases	36,281
Decrease in Accounts Receivable	(16,551)
Increase in Prepaid Expense	1,066
Increase in Pension Expense	(5,055)
Increase in Compensated Absences	(1,649)
Net reconcilation cash to accrual	(34,367)
Increase (Decrease) in Net Position (accrual)	124,196
Net Position-Beginning of Period after restatement	1,561,214
Net Position End of Period	$ 1,685,410

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF OFFICIAL BONDS OF PRINCIPAL OFFICIALS
For the Year Ended June 30, 2015

NAME	TITLE
Wayne Shoemaker	Director
Donna Reed	Office Administrator
Larry Lay	Vice Chairman
Ted Carson	Board Member

Miscellaneous Section

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
REVENUES AND EXPENSES PAST TEN YEARS
For the Year Ended June 30, 2015
(UnAudited)

YEAR	REVENUES	EXPENSES
2006	228,483	182,969
2007	309,705	187,147
2008	289,641	181,037
2009	316,966	195,895
2010	309,618	226,000
2011	363,558	289,489
2012	336,479	233,823
2013	537,777	261,913
2014	370,028	212,597
2015	386,618	262,424

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
Schedule of Expenditures of State Awards
June 30, 2015

	Program Title	CFDA #	Grant #	June 30, 2014	Receipts	Expenditures	June 30, 2015
State of Tennessee Assistance							
Department of Commerce and Insurance	Tenn. Emergency Communications Board	N/A	Z03016925	$ -	$ 9,000	$ 9,000	$ -
Total State of Tennessee Assistance				$ -	$ 9,000	$ 9,000	$ -

* CFDA--Catalog of Federal Domestic Assistance: (1) No Federal CFDA number assigned.
( ) Indicates unexpended balances at year end and a restricted balance in net assets.

SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
June 30, 2015

NOTE A- BASIS OF PRESENTATION

The accompanying schedule of expenditures of State Awards of the Scott County Emergency Communications District is presented on the accrual basis of accounting.

Internal Control and Compliance Section

Dennis E. Jeffers
Certified Public Accountant
A Member of the American Institute of Certified Public Accountants

18707 North Alberta Avenue
Oneida, Tennessee 37841
(423)569-6969

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

To The Board of Directors
Scott County Emergency Communications District
Huntsville, Tennessee 37756

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 Scott County Emergency Communications District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Scott County Emergency Communications 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 Scott 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Scott County Emergency Communications District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Scott 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 the 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 Scott County Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 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.

Dennis E. Jeffers CPA, PC

Oneida, Tennessee
November 16, 2015

Scott County Emergency Communications District
Schedule of Findings and Responses – Current Year
June 30, 2015

None